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Theme - Banking

Inside Bulletin

WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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From the Desk of Chairman . . . . . .

Dear CMA Professional Colleagues,

Warm greetings on my personal behalf and behalf of the entire team of WIRC. I hope that you and your family are in good health. Friends we are in COVID19 Lockdown 3.0. This phase of lockdown is very critical as it is the time to assess the exit plan from the Lockdown. It is the time which will tell whether we as a society follow the norms of social distancing and guidelines as given by the government once the lockdown is lifted. I appeal all of you to follow the norms as set out by the government authorities and show that we are responsible citizens and professionals.

This phase of lockdown has allowed life and business to return to normalcy in a phased manner. We as professionals have to play our part to help the businesses and economy to return to its normal operations. The Institute has been playing its part to keep the members and students engaged by conducting knowledge sharing sessions using web-based platforms. I am happy to note that the response from the members also has been overwhelming. Recently the Institute has introduced a new Web Platform "WEBINT" to offer interactive web based technical sessions. I must put on record my appreciation of CMA Balwinder Singh sir, President, CMA H Padmanabhan sir, Council Member and entire IT team of the Institute for bringing this wonderful facility in the service of the members. I am happy to share that I was one of the speakers in the Inaugural Program of WEBINT. The response to these sessions has been overwhelming and I thank all our members for the same. It will be our endeavour at the Institute to bring excellent resources on the Institute's platform for knowledge sharing.

Through many of these knowledge sharing sessions, the speakers and members both have expresses that in the current situation of COVID19, MSME sector is going to play a key role in the economic revival strategy. But at the same time MSME sector is going to offer professional opportunities to CMAs. It is upon us to explore these opportunities and contribute to the growth of the MSME Sector. This highlights the importance of MSME sector for the CMAs and also for the Indian Economy as such. With this in mind we approached Hon. Nitin Gadkari ji, Minister of MSME, GOI for a Live Interaction Session with our members. I am glad to inform you that he has graciously accepted our invitation and will be with us for a live interaction session. Please find below the details of this event -

"Live Interactive Session with Hon. Shri. Nitin Gadkari ji, Minister of MSME, GOI"
on Tuesday, 12th May 2020 from 1.45 p.m. to 2.30 p.m.

You are requested to please send us your Suggestions & Questions for the MSME Minister by 6.00 p.m., Saturday 9th May 2020. The Questions & Suggestions should be in brief and to the point.

Please send the Questions & Suggestions to : technical.addldir1@icmai.in

(Please mention your Name, Membership No. & Mobile Number)

At WIRC also we are continuing to serve our Members and Students through web-based operations. However, the focus of these efforts had been Students services. We have made available revision material for the benefit of students. WIRC has been conducting online lectures for the students to cover the entire syllabus. I am indebted to the faculty members of WIRC who have supported us wholeheartedly in this endeavour. I am pleased to inform you that many of the faculty members have completed their syllabus and I am sure that the students have been benefitted by this. At the same time, we also conducted Crash Course for the students of Intermediate & Final. The response from Intermediate students has been good. But I am sad to report that the students of Final have not responded to this effort of the Institute.

WIRC is now going to simultaneously focus on bringing innovative CEP sessions for the benefit of the members through Online Mode. CMA Vinayak Kulkarni, Chairman PD Committee of WIRC has already worked out a detailed and elaborate CEP plan and the same is declared in this bulletin.

I appeal to all the members, students and chapters to get in touch with WIRC in case of any difficulty or for any suggestions. Me and my team at WIRC are available 24X7 to serve you. I once again urge you to follow the norms of social distancing and the norms set out by the government before we embark towards normalcy. We have to appreciate that our lives and lifestyle may have changed forever due to COVID and this changed or what we are calling now as "New Normal" may turn out to be "Normal". We as a society will have to adapt to this New Normal. We as professionals have to adapt to technology and technology-based work culture. It's a big cultural shift and is going to be hard to manage, but I am confident that CMAs will be leading professionals to adapt and utilize this change to their best advantage.

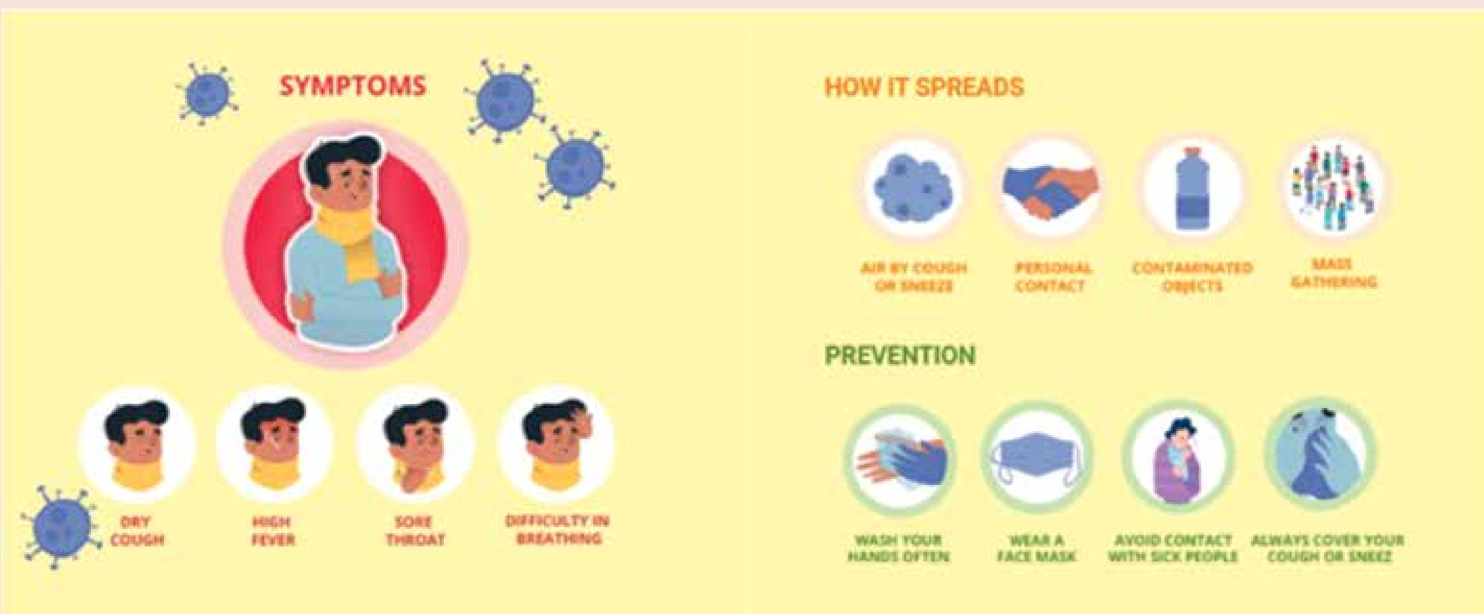
"I cannot say whether things will get better if we change; what I can say is they must change if they are to get better. - Georg C. Lichtenburg"

"The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow. - Rupert Murdoch"

Sincerely Yours,

CMA Neeraj Dhananjay Joshi
Chairman, ICAI-WIRC

Please Follow the Norms of Social Distancing. Be Safe.



From Desk of Cheif Editor . . . . . .

Dear CMA Professional Colleagues,

We are now in the third phase of lockdown due to global pandemic of the Novel Coronavirus COVID2019. It seems the fight against unseen enemy going to be for longer period. WIRC bring out E version of WIRC bulletin for the month of May, 2020 for professional update and knowledge sharing.

As you know, Editorial board has decided to start Theme Base WIRC bulletin from April -2020. We have published in last bulletin and further send communication to members about the month-wise various themes. Theme for the month of May 2020 is "Banking". We have received excellent response to our new initiative. We have received around 9 articles on the "Banking" themes. Articles on the theme are published as cover story. We are also publishing articles on other professional matters. I am thankful to all authors for providing articles and making WIRC bulletin a Knowledge Pack.

We have also start publishing interview of CMAs who had reached a respectable position like CFO, VP, Director etc. Objective of the same to share their experience with CMA fraternity. It will inspire young CMAs for making future brighter. In this bulletin, we have published interview of CMA Mohan Tanksale, Ex. Chairman of Central Bank of India. I thank CMA Amit Shahane for conducting the interview. I also thanks CMA Amit Apte Immediate Past President of the institute for providing his good reference. I request our proud CMAs who reach this highest position during their career to share their experience with CMA fraternity. Place reach us so that we can conduct interview.

Women empowerment is also one of the needs of the hour. We have also decided to publish at least one article from lady CMA. I request lady CMA to come forward and send us article so that we can show CMA women empowerment to the world. In response to our appeal we have received article for CMA Pradnya Chandorkar and CMA Aparna Bhonde.

I thankful to all my council colleagues for putting faith on me to chair Editorial Board. I am also thankful to Surekha press for arranging E – WIRC Bulletin for May 2020 in this lockdown situation. I am also thankful to WIRC staff for managing everything from home.

I urge members to share knowledge by way of article to make WIRC Bulletins Knowledge Pack.

We welcome suggestion and feedback for betterment of WIRC Bulletin.

At last, I request all members to follow all the guidelines given by central and state governments to fight with COVID 2019. Pls. maintain social distancing and remain at home.

Stay Home Stay Safe

Happy Reading !!!

With Ward Regards

CMA Ashish Bhavsar
Chairman, Editorial Board

Importance of implementation of Sound Cost and Management System in Banking Sector

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Dear professional colleagues,

As the banking industry has undergone tremendous change over the decade. Also banking business has also exuviate to serve its customer in a far better way. But, banking industry has a huge challenge of cut throat competition likewise other industry has. So to serve its customer without disappointing them with cost of service. However, to measure cost of service a sound costing and management system must be implemented. As the measurement of cost is the best determinant of profit. Moreover to adopt modern business practice like benchmarking, Business process re-engineering (BPR) an integrated accounting system is an essential pre-requisite.

This Article is an attempt to study the need and significance of sound cost accounting systems in banks for gaining strategic competence through effective management of costs, informed business decisions.

- **Materiality of Cost Accounting in Cost Accounting system in banking industry:**

  Now, there are three types of question arises, they are as follows:-

  - Whether, traditional financial accounting systems are enough or adequate to provide cost information for managerial decision?
  - Then, what are the benefit arising from the installation of sound system of cost accounting?
  - And last one, Is it practicable to install cost accounting system in service industry like banking sector?

So let's, explore....

1) Conventional or traditional accounting system is for compliance purpose only. And also it is not enough to support scientific decision making to the management. Though continuous analysis and monitoring of business performance makes cost accounting makes an essential function of any gradual organization. To adopt new business practice like benchmarking, inter firm comparison, intra firm comparison, it is equally important to have a detail cost information. However, such systems have been employed by many organization voluntarily for their interest. But such system are being adopted out of statutory compulsion. Also to bring uniformity in reporting of the costing data, statement and reporting format must be uniform for comparison between two organizations. If Cost Accounting Record Rules and Cost Audit Report Rules are made applicable to the banking industry then the much desired uniformity in respect of cost accounting systems can be ensured. This in turn will benefit the industry as a whole by way of improvement in productivity; and also the public at large, once such improvement is passed on to products under offer.
2) An organization should primarily focus on the decision making by using such cost accounting data, merely recording of cost will not give any output. Although here objective is to manage cost on continuously basis. Which will ensure the sustainable growth of the business. A cost accounting system should be integrated with financial accounting, Asset - Liability management, Economic Research, Marketing etc. This will ensure excellent quality for decisions through objectivity and business synergy.
3) Traditional cost accounting is strengthening the communication between departments. Though emphasis is on the internal reporting and statutory compliance. Accordingly, it should facilitate smooth flow of strategic information between the various departments (like, Economic planning, Marketing, Financial accounting etc.) and also such relevant external information as competitors' moves, market trends etc. Such information flow should strengthen and support the top management in its decision-making.
4) An integrated cost accounting system is not only for the internal reporting or statutory compliance purpose but it also provide a comprehensive decision making to the management. Further not only internal it also keep close eye on the competitor's stand, economic trend etc. This enables the adoption of the modern strategic techniques like benchmarking. Reason behind that, this will provide all information as are required for the key performance parameters within the firm and also outside the firm.
5) Cost accounting enables the continuous evaluation of the business performance. Hence the basic emphasis is on the strategic management of cost on a continuous basis. But it should not be the regular function of maintaining cost records. Such system shall facilitates on going evaluation and monitoring of operational performance should ensure excellent operational efficiency and productivity. This in turn facilitates (a) elimination of wastes and deficiencies in the system. (b) Use of improved methods, systems and procedures. (c) Better and tighter control of costs on a continuous basis. (d) More efficient use of human and physical facilities and also more efficient operations. A sound cost accounting system shall ensure that the scarce human and physical resources are allocated with optimum efficiency.

- **Benefits of a sound cost and management accounting :**

  1) Makes functioning of departments like, Marketing, Planning & Development, Economic Research, accounting Finance etc. more effective. As the cost accounting integrate all functions.

     Scientific and rational basis for such business decisions as expansion, product mix, target markets, optimal utilization of human and other resources, marketing strategy etc. makes functioning of these departments much more effective.

  2) Once a cost accounting system is installed in a bank, it will ensure dramatic changes in the level of cost consciousness among employees at all levels. In a competitive environment, scientific information regarding the cost structure of various products and activities is vital even for a bank marketer; then only he can make price negotiations effectively with his clients.

  3) Allocation of human and physical resources in an organization can be made scientifically with the help of the input available from the cost accounting department. This contributes towards improved productivity and efficiency.

  4) Makes functioning of departments like, Marketing, Planning & Development, Economic Research, accounting Finance etc. more effective. Scientific and rational basis for such business decisions as expansion, product mix, target markets, optimal utilization of human and other resources, marketing strategy etc. makes functioning of these departments much more effective.

     Further, an integrated Cost Accounting department facilitates greater co-ordination among all the allied departments through information interchange.

  5) Lastly, but not of least significance, is the corporate governance concerns. As already mentioned, the most effective means to adopt best corporate governance practices is to put in place an efficient and independent system of Management Audit.

     Hence to sum up, Can a country like ours which has got the unique distinction for having implemented statutory Cost Audit for the first time in the world, keep away the banking sector – the most dominant sector of any economy – outside the ambit of Cost Accounting Records Rules and Cost Audit Report Rules, anymore; especially when corporate governance, benchmarking etc. are business buzz-words worldwide?

     Cost and management accounting systems in banks, without doubt, have tremendous strategic significance in today's banking sector in India which is characterized by cutthroat competition. These systems can improve quality of managerial decisions to a large extent and can also ensure sustained business profitability and productivity.

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NOTIFICATION

Sub: Postponement of CMA Examinations for June, 2020 Term

The Institute of Cost Accountants of India has decided to postpone the examinations for June, 2020 term due to outbreak of Novel Coronavirus (COVID-19) and subsequent lockdown situation in the country. The Foundation, Intermediate and Final examinations that were scheduled from 11th - 18th June, 2020 **will now commence from 20th July, 2020**.

The revised schedule of the examinations in details will be announced soon.

CMA Kaushik Banerjee
Secretary

Relevance and Applicability of Cost and Management in Banking Sector

CMA Aparna Bhonde
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Evolution of NPA Management in Indian Banking Sector

The Indian banking sector has been witnessing rising NPAs over the last few years. While research has focused on identifying reasons – whether environmental, or systemic, the Reserve Bank of India has been working on various mechanisms whereby stressed bank assets can be reconverted into being productive. When assets of a bank (loans extended by it) stop generating regular income (interest) and there are possibilities of default/ delay in the principal repayment, the assets can be classified as 'non-performing'. But when such cases increase, not only do the bank balance sheets get impaired, but productive capital at the macro level also gets blocked leading to reduction in economic activity. Thus there is a need to curb/ reduce the incidence of non-performing asset.

Further Non Performing Assets are classified into the following three categories on the basis of the duration for which they have remained non-performing.

1. Sub-standard assets – assets that have remained NPA for a period of less than or equal to 12 months. There is a distinct possibility of the bank sustaining some losses on such assets if deficiencies are not corrected.
2. Doubtful assets – non-performing assets that have been in the sub-standard category for 12 months. Given the weaknesses in these assets, collection or liquidation is rendered highly improbable.
3. Loss assets – assets where loss has been identified by the bank or external auditor/ RBI team but has not been fully written off. Such assets are considered uncollectible

Recovery mechanism

Banks employ various tools to recover their dues. Some of these mechanisms derive their structure from laws, policies and regulations made at different points in time, while the others are non-statutory in nature. Two distinct approaches of restructuring are observed across the world: 1) The centralized approach and 2) the decentralized approach (Claessens, 2005). The centralized approach has a larger role for the government typically in the form of establishing asset recovery/reconstruction companies that would dispose of the assets of non-viable firms. The decentralized approach, on the other hand, expects banks to resolve the issues of high debt with the firms individually, on a one to one basis.

While there were multiple channels for recovering debt in the formal legal mechanism, individual one-to-one negotiation was the only mode adopted informally. There was no mechanism to address restructuring of consortium-based loans. The Reserve Bank of India, thus, initiated the establishment of Corporate Debt Restructuring (CDR) system in India in 2001(CDR Cell, n.d.). The CDR mechanism is a voluntary, non statutory system that covered multiple bank accounts/ consortium accounts of debts of large borrowers having outstanding aggregate exposure exceeding Rs 10 crores. While the restructuring is worked out outside the purview of the legal framework, once an agreement within lenders and also between lenders and borrower has been reached, an individual inter- creditor agreement (ICA) and a Debtor- creditor agreement (DCA) is signed. These are legally binding.

An Overview of Cost Management in Banking Sector:

Banks earn profit when its interest and operational expenses are less than its interest and non interest income through its services and investments. Any business for that matter survives only if it earns profits. Banking is no exception. Although Banking is considered as a bloodline of economy of a nation, to provide a reasonable return for the above-cited huge capital expenditures and to remain servicing any economy, profitability of the banks is a must. To remain profitable, **'efficient and effective cost management'** of its entire operations is the need of the day for the banking sector.

We will examine briefly the applicability of the concept of all the above strategies of cost control and cost reduction in the banks and there from, we will examine the applicability of these strategies in the various business and non business lines of banks, viz., funds management, risk management, risk based internal audit, cost competitiveness in bank branches, non performing assets management, to name a few.

The cost-cutting and efficiency agenda will vary among regions and from bank to bank. For institutions most affected by the crisis, particularly those in North America and the United Kingdom, tactical cost reductions are the immediate priority. On the other hand, many banks in the Asia-Pacific region are pursuing a broader efficiency agenda focused both on decreasing costs and building capabilities to support growth. To achieve high performance, banks need the right balance between short-term tactical cost decreases such as headcount reductions, and longer-term strategic cost initiatives such as streamlining processes or outsourcing certain noncore functions such as learning, human resources or finance and accounting. Banks that pursue only traditional cost reduction programs will achieve cost benefits quickly. But in the long run, that approach will leave them unable to sustain those cost reductions, resulting in a competitive disadvantage.

Cost of Risk Based Internal Audit:

The Institute of Internal Auditors defines Risk Based Internal Auditing (RBIA) as:

- a methodology that links internal auditing to an organisation's overall risk management framework+
- that allows internal audit to provide assurance to the board that risk management processes are managing risk effectively, in relation to the risk appetit

Risk Management in Banks:

Banks in the process of financial intermediation are confronted with various kinds of financial and non-financial risks viz., credit, interest rate, foreign exchange rate, liquidity, equity price, commodity price, legal, regulatory, reputational, operational, etc. These risks are highly interdependent and events that affect one area of risk can have ramifications for a range of other risk categories. Thus, top management of banks should attach considerable importance to improve the ability to identify, measure, monitor and control the overall level of risks undertaken.

The Risk Management Systems to be set up for managing the various risks arising out banking business will involve incurring costs at various levels, viz.

(i) Setting up of Risk Management Systems for Credit, Market, Liquidity and Operational risks, which will in turn need payment of market driven compensation packages to the staff

(ii) Cost of IT systems needs to be developed for generating MIS and other reports for monitoring risks;

(iii) Cost of developing or outsourcing various risk management models and validating them on a continuous basis

(iv) Cost of capital required to brought in because of following the capital adequacy norms suggested in basel norms by the Basel Committee of Banking Supervision and as agreed to the national supervisors (including the Reserve Bank of India) of the world

(v) Cost of training and updating the entire work force in the Risk Management Division along with key staff at various business units of the bank; and

(vi) Cost of integrating the entire bank with a suitable IT system which will enable the bank to be always with the time to receive information about the various risks emanating out of the banking business

The lending operations of the bank carry an interest income but the risk of the loan turnin g bad and unrecoverable is considered quite significant in overall management of loan portfolio. It is therefore prudent to arrive at a risk return trade off in each lending transaction. If the risk is perceived as high, the interest rate charged shall also be high and vice versa. The loss arising out of loan loss provisions charged to profit is considered as a cost of risk undertaken in lending operations. The cost of risk in bank therefore is considered to measure the proportion of bank s total loans that have been lost on account of bad and non-performing assets. The measurement of such cost of risk involved in the lending can be done as under:

$$\text{Cost of Risk} = \frac{\text{Loan loss provision charged to profit}}{\text{Average interest generating loans*}}$$

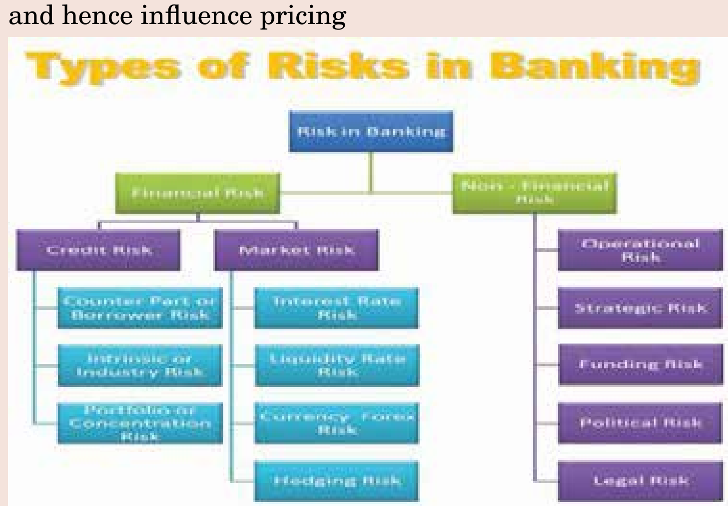
*Average interest generating loans = Average of opening balance and closing balance of interest generating loans.

Interest generating loans = Customer Loans + inter-bank loans + other loans.

It implies that higher the loan loss provisions; the higher will be the cost of risk on interest generating loans. The cost of risk will be lower if the interest generating loans are higher as compared to the loan loss provision amount charged to Profit & Loss account of the bank. The cost of risk thus has a significant bearing on profit and profitability of the bank. If a bank can control the cost of risk at a lower level, the profit earned will be higher. The cost management is therefore considered as a significant tool to improve the net profit which is essentially a function of reduction in expenditure and improvement in income. In a largely deregulated regime where the price of lending is determined by market competition, the borrowers have the freedom to choose where to place their business or switch banks. As a natural corollary, the bank that overprice their loan products are likely to lose business while those banks that under-price their loan products will succeed in garnering higher levels of business but will find it difficult to sustain their higher level of operations.

Types of Risks

The banks are required to compute the cost of following risks in their lending operations while pricing their loan products. It is seen that there is no objective and scientific method to allocate cost in respect of individual risk involved in a lending proposition. The availability of securitycover and guarantee for the loans provide comfort to the lender and hence influence pricing



Role of CMAs in Risk Based Internal Audit in Banks:

The expertise of the Cost & Management Accountants in Risk Based Supervision Consulting Process includes:

- Design and development of appropriate organizational structure
- Advisory services to document systems and procedures for undertaking business in alignment with the requirements of risk based supervision.
- To identify gaps in management information systems and suggest remedial measures
- To review and strengthen reporting and control system
- To design and develop appropriate risk focused internal audit model
- To assist bank in setting up compliance units

  The Cost and Management Accountants with their specialized professional skill and expert knowledge and analytical capabilities can provide an in-depth service in Risk based audit in Banks and the services inter-alia includes the following functional areas:

- Risk Management including Credit Risk, Operational and Market Risk Management
- Risk Profiling and SWOT Analysis
- Risk Assessment for Project Evaluation
- Bank Supervision/Audit Mechanism and Adoption of Risk Focused Internal Audit
- Credit Risk Management and Credit Portfolio Evaluation
- Customer Due Diligence and Compliance with Know Your Customer Procedures
- Project Techno-economic Feasibility Studies and Project Monitoring
- Borrower Credit Appraisal and Working Capital Assessment
- Borrower Security Evaluation and Stock Audits
- Asset and Liability Management System and Management Information System
- NPA Management Advisory Services
- Business Valuations and Asset Valuations
- Information Systems / EDP Audit, Software Evaluation
- Bank Staff Training
- Preparation of Instruction Manuals for Credit, Audit and other bank functions

Baroda Chapter in Media Coverage

दैनिक भास्कर

21-Apr-2020
વડોદરા Page 9

City ભાસ્કર

પ્રોડક્ટ્સનું કોસ્ટિંગ કરતા એક્સપર્ટ્સ કોસ્ટ મેનેજમેન્ટ એકાઉન્ટન્ટ્સ દેશ-શહેરને કોરોનામાં મદદ કરવા તત્પર

ICMRને કહ્યું છે કે, કોવીડ કીટનું કોસ્ટિંગ કરી આપીશું, VMCને કોસ્ટ મેનેજમેન્ટમાં મદદ કરીશું

ચાઇનાથી લવાતી વસ્તુ SME, MSME પાસે બનાવડાવો

ઉત્પાદન ઘટવાથી મહત્વનો ભાગ ભજવશે કોસ્ટ મેનેજમેન્ટ

કોસ્ટ એકાઉન્ટની વિવિધ માહિતી વેબિનાર થકી લઇ રહ્યાં છીએ

વડોદરા બ્રાન્ચ ઓફ CMA દ્વારા ક્રિકેટ ટૂર્નામેન્ટનું આયોજન કરા

CMAPL સિઝન 3 : 8 ટીમોને હરાવી

એલેમ્બિક ટીમ ટૂર્નામેન્ટની વિનર

દિવ્ય ભાસ્કર

મહિલાઓ માનસિક અને શારીરિક રીતે ફીટ રહે તે હેતુથી ક્રિકેટ યોજાઇ

સિટી રિપોર્ટર | વડોદરાની આઇસીએઆઇ, આઇસીએમએઆઇ અને વિકાસા બ્રાન્ચનાં સંયુક્ત ઉપક્રમે ડે બોક્સ ક્રિકેટ ટૂર્નામેન્ટનું આયોજન કરવામાં આવ્યું હતું. આ ક્રિકેટ ટૂર્નામેન્ટ 8 માર્ચ આંતરરાષ્ટ્રીય મહિલા દિનની ઉજવણી નિમિત્તે યોજવામાં આવી હતી. આ કાર્યક્રમમાં એવોર્ડ સેરેમની સાથે વિજેતા ખેલાડીઓને પ્રમાણ પત્ર અને વિજેતા ટ્રોફી આપી સન્માનિત કરાઇ હતી. તે ઉપરાંત લીના પટેલનું મોટીવેશનલ સેશન પણ યોજવામાં આવ્યું હતું.

Simple guide to RBI Monetary Policy along with ATR of Monetary Policy post Lockdown

CMA Utkarsh Yagnik
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Definition, Goal & Objectives:

- **Definition:**

  Monetary policy refers to the use of instruments under the control of the central bank to regulate the availability, cost and use of money and credit.

- **Goal:**

  To achieve specific economic objectives, such as low and stable inflation and promoting growth.

- **Main objectives of monetary policy in India are:**

  - Maintaining price stability

  - Ensuring adequate flow of credit to the productive sectors of the economy to support economic growth

  - Financial stability (reduce fluctuation)

MPC - Monetary Policy Committee

MPC determines the policy interest rate required to achieve the inflation target.

- **Frequency of Meeting:**

  Policy - min 4 times in a year, to meet 2 days before deciding on rates. However in FY 2019 - 2020, it was decided that MPC shall meet 6 times (bi-monthly meet). But it met 7th time on 27th March, 2020. So what is stated is minimum, but it can always meet for more times, if situation is warranted.

- **Constitution - 6 members. Quorum - 4 members**

- **Composition - 3** from RBI + 3 nominated by GOI. Govt members hold office for 4 years. (RBI Members - 1. Shri Shaktikanta Das., 2. Dr. Michael Debabrata Patra (Dy Gov)., 3. Dr. Janak Raj (ED of RBI)., + GOI Members - 1. Shri Chetan Ghate, Professor, Indian Statistical Institute (ISI)., 2. Professor Pami Dua, Director, Delhi School of Economics., 3. Dr. Ravindra H. Dholakia, Professor, Indian Institute of Management, Ahmedabad)

- **Decision** - Majority voting system (one vote each, if equal votes than Governor has second/casting vote).

- **Minutes Publication :**

  On the 14th day, the minutes of the proceedings of the MPC are published which include - a) the resolution adopted by the MPC, b) the vote of each member on the resolution, and c) the statement of each member on the resolution adopted.

  Example/s:

  1. refer policy of 27.03.2020 - 4 members voted for 75 bps reduction in Repo while other two voted for only 50 bps reduction
  2. Minutes of this meeting of 27.03.2020 got published on 13th April, 2020 (i.e., 14 days after meeting).
  3. For policy decision dated 27.03.2020, the MPC met for 3 days (24, 25 and 27 March before deciding - as per policy they need to meet minimum 2 days).

- The first meeting of MPC was held in October 3 and 4, 2016 (i.e., for 2 days). Before MPC, a Technical Advisory Committee (TAC) with experts from economics, banking, financial markets & public finance advised RBI on the stance of monetary policy. However, its role was only advisory in nature. With the formation of MPC, the TAC ceased to exist.

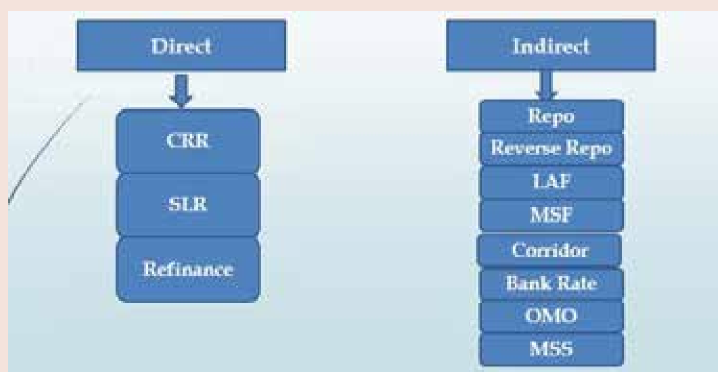
FMC - Financial Markets Committee

(meets daily, to review the liquidity conditions).

- The Financial Markets Operations Department (FMOD) operationalizes the monetary policy, mainly through day-to-day liquidity management operations. The Financial Markets Committee (FMC) meets daily to review the liquidity conditions so as to ensure that the operating target of monetary policy is achieved

Tools & Flowchart

There are several direct and indirect instruments that are used in the formulation and implementation of monetary policy



Direct Instruments

(to control money supply, inflation, liquidity)

- **CRR - Cash Reserve Ratio**

  The average daily balance that a bank is required to maintain in cash with the RBI as a share of such per cent of its Net demand and time liabilities (NDTL). Banks earn no interest here from RBI. It is used to control liquidity i.e., inject or reduce liquidity.

- **SLR - Statutory Liquidity Ratio**

  The share of NDTL that a bank is required to maintain in safe and liquid assets, such as, unencumbered government securities, cash and gold. These remain with Banks. Banks earns return on SLR here depending on the ROI of G-Sec, T-bills etc. It controls banks leverage for credit expansion i.e., bank is unable to lend entire money which it has received as liability (FD/NDTL) from its clients.

Changes in CRR / SLR to influence the availability of resources in the banking system for lending.

Situation - high Inflation/lot of money/buying or high demand/price rising.

Action - increase CRR / SLR.

Impact - less money to lend i.e., shall reduce money in circulation

Example:

Action - in policy dated 27.03.2020, CRR reduced to 3% (reduction by 1% from earlier of 4%), w.e.f 28.03.2020, for 1 year, and the Daily CRR maintenance reduced to 80% (reduction by 10% from earlier of 90%), w.e.f 28.03.2020, 3 months/upto 26.06.2020.

Impact - liquidity release of 1.37 Lakh crores (due to 1% reduction in CRR).

RBI didn't reduce SLR by 1% but reduced CRR by 1%, because at-times SLR reduction has no actual impact. Even if RBI reduces the SLR, bank can continue to hold excess SLR. Many banks continue to hold excess, as there are no other alternatives which banks find suitable/safe in given scenario. While bank shall never hold excess CRR as CRR does not yield any interest to the banks.

Refinance

Sector-specific refinance facilities (e.g., against lending to export sector and/or renewable energy and/or lending to MSME) provided to banks.

Example :

Policy dated 17.04.2020

Action : Refinance window of Rs. 50 K crores to AIFI including 25 K crores to NABARD, 15K crore to SIDBI and 10 K crore to NHB. This Refinance is at prevailing Repo rate of RBI.

Aim - to meet sector specific requirements of agriculture funding, rural sector funding, small industries funding & housing finance.

Indirect Instruments (price derivation and stability)

- **Repo Rate :**

  The (fixed) interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government and other approved securities under the LAF. (LAF discussed in later slide) It is against G-Sec/others approved but cannot use SLR securities here.

Objective - liquidity/price setting.

Technical : Re-Purchase = RePo i.e, repurchase agreement to purchase back the G-Sec at the end of tenor, called "date of reversal"

Example :

Action - In policy dated 27.03.2020, the Repo rate reduced to 4.40%, reduction of 75 bps which was earlier 5.15%.

Impact - Reduction in cost of borrowing.

¢ **Reverse Repo Rate :** (i.e, simply the ROI for parking surplus money with RBI)

  The (fixed) interest rate at which the Reserve Bank absorbs liquidity, on an overnight basis, from banks against the collateral of eligible government securities under the LAF. It is reverse of repo. Generally, it is derived by reduction of specified per cent from Repo.

Example : In policy dated 27.03.2020 - RBI observed, that the distribution of liquidity is highly uneven across the financial system, as was reflected by the fact, banks parked overall surplus of about Rs. 3 lacs crores with RBI till 25.03.2020.

Actions - Reduction in reverse repo by 90 bps in 27.03.2020 and further by 25 bps in 17.04.2020 (even though the repo only reduced by 75 bps for one time, while reverse repo reduced twice with aggregate reduction of 115 bps).

Reason for second reduction in Reverse Repo - On April 15, the amount absorbed under reverse repo operations was Rs. 6.9 lakh crore (which was ~ 3 lakh crore in March). RBI wants banks to deploy these surplus funds in investments and loans in productive sectors of the economy.

Impact - The purpose of this measure relating to reverse repo rate is to make it relatively unattractive for banks to passively deposit funds with the Reserve Bank and instead, to use these funds for on-lending to productive sectors of the economy.

- **LAF - liquidity adjustment facility**

  The LAF consists of overnight as well as term Repo auctions. (term = tenor, term is like term deposit/more than overnight i.e., for specific term/tenor). RBI also conducts variable interest rate Reverse repo auctions, as necessitated under the market conditions. RBI has increased the liquidity injection through variable rate repo auctions of range of tenors.

  The aim of term repo is to help develop the inter-bank term money market, which in turn can set market based benchmarks for pricing of loans and deposits, and hence improve transmission of monetary policy.

  In simple terms, it is a Market place for Auction of Repo & Reverse Repo for different tenors. RBI acts as conductor/conveyor.

Participants (buyer/sellers) includes - Govt (C+S), all kinds of Banks, NFBC and AIFI (i.e., NABARD, SIDBI, Exim & NHB). Lead to deriving pricing of loans/deposits and transmission of monetary policy.

Security - Yes it is secured. Underlying / Security is G-Sec.

But cannot use SLR quote of securities / cannot dip into SLR.

Example -

Latest policy tool used by RBI - TLTRO i.e., Targeted Long Term Repo Operations

LTRO of 1 lakh crore in policy of 27.03.2020 and second LTRO of 50K crore in policy of 17.04.2020).

Disbursement of first 1L crore was completed on 17 April (four tranches of 25K each with last tranche on 17 April. Let/s discuss last LTRO operations,

Below was announced by RBI on 15 April 2020 :

Sl. No.	Date of operation	Notified Amount (Rs. crore)	Tenor	Window Timing	Date of Reversal
1	April 17, 2020	25,000	3-year	10.30 AM-11.30 AM	April 13, 2023

Outcome on 17 April, 2020 as below :-

Tenor	3-year
Date of Reversal	April 13, 2023
Notified Amount (in ? crore)	25,000
No of bids received	11
Total amount of bids received (in ? crore)	61,415
Amount allotted (in ? crore)	25,009
Pro-rata Allotment Percentage (%)	40.71

Action - RBI gave money

Quantum - 1 Lakh Crore, for Tenor - 3 years

Rate - Floating linked to policy repo rate (i.e., whenever repo change this shall change).

Transmission - Bank will have to invest this money obtained from TLTRO in additional/fresh/incremental investment in investment grade (BBB-/above) securities bonds/CP/NCD issued by corporates (of which 50% to come from primary subscription and 50% can come from secondary purchase i.e., buying from MF or NBFC - indirect liquidity to NBFC/MF)

Timelines - These funds to be deployed within 30 working days. (If it is not deployed within prescribed time line, penalty of repo + 200 bps to be charged for the number of days it has remained non-deployed.)

Restrictions - The maximum amount of investment into securities of particular entity or group of entities is capped at 10%.

Second LTRO - to be deployed towards investment in MFI and mid & small NBFC (10% MFI, 15% NBFC with asset size upto 500 Cr and 25% NFBC with asset size > 500 Cr < 5000 Cr).

Aim - to provide liquidity to MSME, small & mid-sized companies.

Rest Criteria are same as of first LTRO.

First tranche of LTRO 2 were scheduled on :

Sl. No.	Date of operation	Notified Amount (Rs. crore)	Tenor	Window Timing	Date of Reversal
1	April 23, 2020	25,000	3-year	10.30 AM-11.30 AM	April 21, 2023

- **MSF - Margin Standing Facility**

  A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest.

In simple terms - it is borrowing against the SLR quota of securities at Rate - of Repo + 25 bps with Ceiling of such borrowing - 3% (currently).

Aim - This provides a safety valve against unanticipated liquidity shocks to the banking system.

Example :

Action - In policy dated 27.03.2020, the RBI increased MSF borrowing ceiling from 2% to 3% of SLR/NDTL.

Impact - liquidity infusion of 1.37 Lakh crores.

LAF v/s MSF

(All : only SCB, No limit : limit of 3% of NDTL, cannot use SLR securities : can use SLR securities, Rate declared / Repo : Rate is repo + 25 bps).

Observations :

1. In LAF, cannot use SLR quota - because SLR is applicable only for Banks while in LAF the participants include Govt (C+S), AIFI, NBFC who do not have any SLR.
2. Similarly there is no limit on borrowing in LAF, as banks are not dipping their SLR, hence no risk/no need of limit. While in MSF there is limit, because otherwise banks can indirectly leverage its entire SLR securities, therefore leading to risk/vulnerability.
3. LAF is at repo rates, while to dis-incentivize banks the MSF is at rate higher by 25 bps than the repo rate.

Corridor :

The MSF rate and reverse repo rate determine the corridor for the daily movement in the weighted average call money rate. The delta/difference between the MSF rate & reverse repo determine corridor.

Example -

- Earlier repo was 5.15, MSF was 5.40 (5.15 repo + 25) and reverse repo was 4.90 (5.15 repo - 25). Hence policy corridor was 50 bps (5.40 less 4.90)
- In policy of 27.03.2020 - Repo reduced by 75 bps and Reverse repo reduced by 90 bps. Hence, MSF rate got reduced to 4.65% (repo 4.40+ 25 bps) while reverse repo got reduced to 4%, leading to policy corridor of 65 bps (4.65 less 4).
- Hence, the policy rate corridor increased to 65 bps from earlier 50 bps (report +25/- 25 bps, now +25/-40 bps).
- Basis policy of 17.04.2020, the policy corridor further increased to 90 bps as RBI reduced reverse repo to 3.75%, so policy corridor is now 4.65 (MSF) less 3.75 (reverse repo) i.e., 90 bps.

Observation / Explanation : Bank having surplus & parking money with RBI gets only 3.75, while Bank needing funds get it from RBI at 4.65, so it is beneficial for both if the lender gets more than 3.75 and the borrower gets less than 4.65, determining the daily call money rate / inter-bank market rates.

- **Bank rate**
  It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers.

It is aligned to MSF rate / automatically with MSF.

- OMO - Open Market Operations

  These include both, outright purchase and sale of government securities, for injection and absorption of durable liquidity, respectively.

Situation - Inflation.

Action - RBI start selling G-Sec (i.e., giving paper & getting money).

Impact - less money to lend i.e., liquidity reduce.

Reverse action in case of deflation

- **MSS - Market Stabilization Scheme**

  This instrument for monetary management was introduced in 2004. Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through sale of short-dated government securities and treasury bills. The cash so mobilized is held in a separate government account with the Reserve Bank.

Important Policy Actions during 27.03.2020 to 17.04.2020

- **Aggregate direct impact of Rs. 4.74 Lakh Crores, by way of -**
  1. CRR reduction impact - 1.37 L Cr,
  2. MSF limit increase impact - 1.37 L Cr,
  3. LTRO1 impact - 1 L Cr,
  4. LTRO2 impact - 0.5 L Cr.
  5. Refinance to AIFI of 0.50 L crores.
- **Others Measures, are summarized below :-**
  1. Deferral of implementation of - Capital Conservation Buffer ('CCB') and Net Stable Funding Ratio ('NSFR') for banks
  2. Moratorium - on Term Loan and WC facilities for borrowers
  3. Asset Classification - the 90 day NPA norm, to exclude moratorium period. All accounts for which lending institutions decide to grant moratorium or deferment, and which were standard as on March 1, 2020, the 90-day NPA norm shall exclude the moratorium period. NBFCs can grant relaxed NPA classification to their borrowers.
  4. Banks in India permitted - participation in Offshore Non-deliverable Rupee derivatives, to improve depth & price discovery in forex market.
  5. Ways and Means advances for States, limit increase from 30% to 60%
  6. Relaxation of - Liquidity coverage ratio for banks, requirement reduced from 100% to 80%.
  7. No Dividend distribution
  8. Relaxation of DCCO for NBFC loans to commercial real estate developers

Limitations of Monetary Policy

- People in India does not have many investment options. Meaning that the Deposits (FD) are main source of funds for Bank and not RBI. Dependence is very low on RBI so impact is very low.
- Non-monetized Economy - means outside the ambit of banking, large chunk of rural areas. People are less dependent on banks/bank finance.
- Time taken in transmission of policy measures. No direct benefit/measures get transferred to people. Banks take time in passing on the benefits to the larger society.
- Uncertain events like covid19.

Data for Reference :

Current Policy Rate

Policy Repo Rate	: 4.40%	Reduced by 75 bps in policy of 27.03.2020
Reverse Repo Rate	: 3.75%	Reduced by 90 bps in policy of 27.03.2020 & further reduced by 25 bps in policy of 17.04.2020.
Marginal Standing Facility Rate	: 4.65%	Repo + 0.25 i.e., 4.40 + 0.25
Bank Rate	: 4.65%	Is equal to MSF Rate

Reserve Ratios

CRR	: 3%	Reduced by 1% in policy of 27.03.2020.	Impact of 1.37 Lakh Crores of liquidity to banks
SLR	: 18.00%		
MSF	Ceiling of 3%	Increased from 2% to 3%	Impact of 1.37 Lakh Crores of liquidity to banks
LTRO 1	27.03.2020	Upto 3 years into investment grade securities	Impact of 1 Lakh Crore of liquidity to banks
LTRO 2	17.04.2020	Targeted for Small Sectors - MFI, small & mid NBFC	Impact of 0.50 Lakh Crore of liquidity to banks
Refinance	To AIFI	Targeted to sectors like agri, rural, housing	Impact of 0.50 Lakh Crore of liquidity to AIFI
			Total Impact of 4.74 Lakh Crore of liquidity to banks

Banking Terminology

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Introduction:

Before sharing this month article I hope that you and your family members are safe.

From April 2020 our WIRC adopted theme basis articles and this month theme is "Banking" .There are number of opportunities in banking sector and many more need to happens yet.

Basis on this theme, I am just sharing with you frequently used banking terminology to our readers, Because I believe that if we want to enter in this sector we must know the terms used in banking sector.

I hope that you will like/feel useful for your career. Thanks…

1. Repo Rate

- When RBI provides a loan to the bank for short-term between 1 to 90 days, RBI takes some interest from the bank which is termed as Repo Rate.

2. Reverse Repo Rate

- When bank deposit it's excess money in RBI then RBI provides some interest to that bank. This interest is known as Reverse Repo Rate.

3. SLR –(Statutory Liquidity Ratio)

- Every bank has to maintain a certain % of their total deposits in the form of (Gold + Cash + bonds + Securities) with themselves at the end of every business days. Current SLR is 18.00%. (as on 06.05.2020)

4. Bitcoin

- Bitcoin is a virtual currency/ cryptocurrency and a payment system.
- It can be defined as decentralized means of tracking and assigning wealth or economy, it is a software protocol.
- Bitcoin uses two cryptographic keys, one public (username) and one private (password) are generated.
- 1Bitcoin= 108 Satoshi.
- RBI not allowed Bitcoin in India.

5. Scheduled bank

Banks which are included in the 2nd Schedule of RBI Act 1934 are known as a scheduled commercial bank. These banks should fulfil two conditions:

- Paid up capital and collected funds should not be less than Rs.5 Lacs.
- Any activity of the Bank should not adversely affect the interests of the customers.

6. Non Performing Assets

- NPA is an asset of a bank which is not producing any income.
- Bank Usually classify as nonperforming assets any commercial loans which are more than 90 days overdue and any consumer loans which are more than 180 days overdue.

  Check updates

7. Green Banking

- Green banking means promoting environmentally friendly practices and reducing your carbon footprints from your banking activities.
- Green banking aims at improving the operations and technology along with making the clients habits environment-friendly in the banking business.
- It is like normal banking along with the consideration for social as well as environmental factors for protecting the environment.

8. Blockchain system

- These days the transactions in the banking sector are becoming a very tedious task and so as to ensure that this tedious task to be removed, our banking sector is trying to emerge towards blockchain technology.
- To simplify the transactions without the help of any third party in a secure manner is really a great challenge, but to overcome this challenge an anonymous online ledger (collection of financial accounts) which uses the data structure to simplify it is called blockchain technology.

9. Skimming

- Skimming is a method used by fraudsters to capture customer's personal or account information of credit card.
- Customer's card is swiped through the skimmer and the information contained in the magnetic strip on the card is then read into and stored on the skimmer or an attached computer.
- Skimming is a tactic used predominantly for credit-card fraud, but it is also a tactic that is gaining in popularity among identity thieves.

10. Cash Credit

- Cash Credit is a proper limit sanctioned by the bank to the borrowing manufacturing/trading unit against the value of the raw materials, semi-finished goods and finished goods including stores.

11. Cash Reserves Ratio

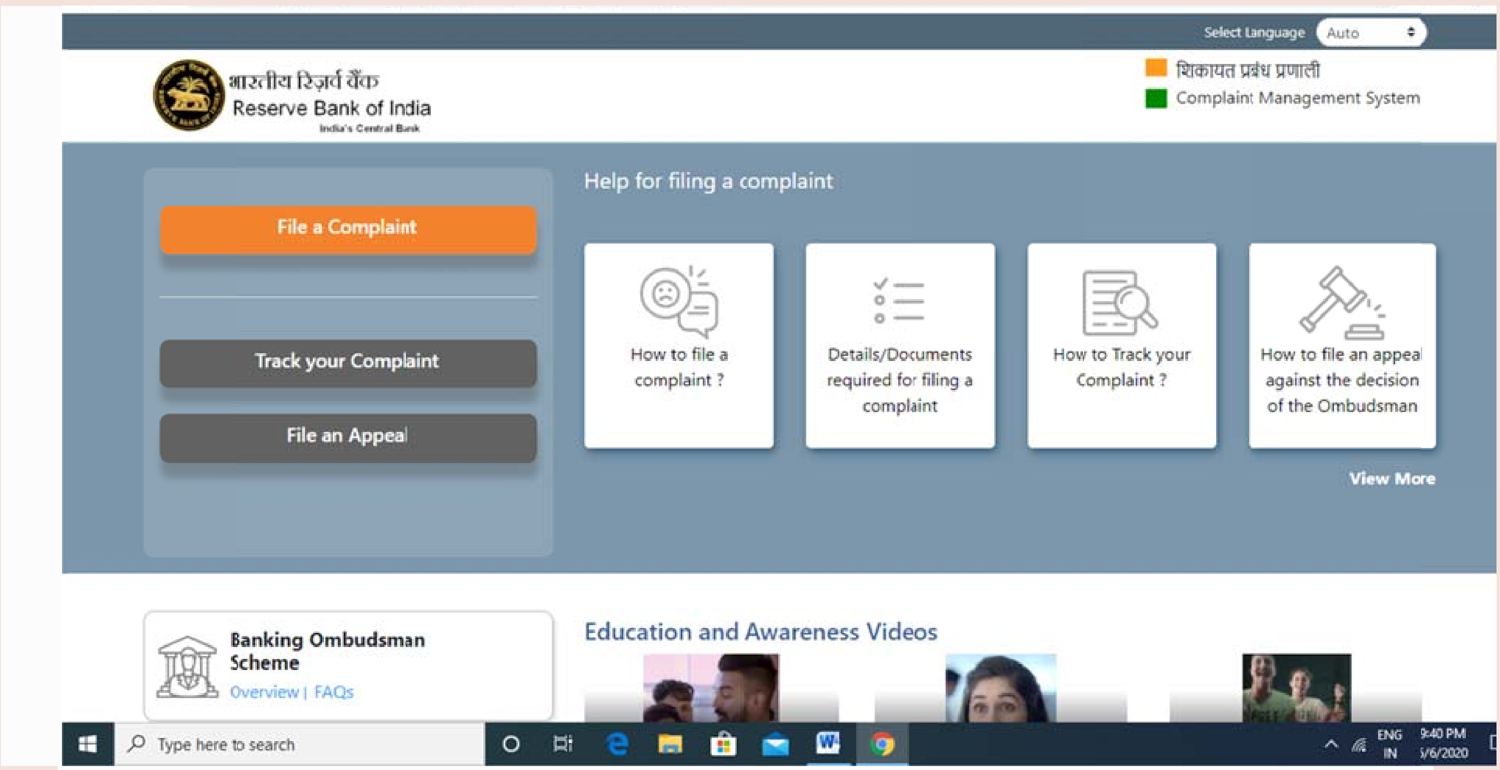
- Every bank Maintain certain % of their total deposits with RBI in the form of Cash and Net demand & Time Liabilities.
- Current CRR is 3%. Every Bank has to pay the amount to RBI on every 15 Days.

Core Banking Solutions

- Core Banking Solution (CBS) is the networking of branches, which enables customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account.
- The customer is no more the customer of a Branch.
- He becomes the Bank's Customer.

12. Banking Ombudsmen

- Banking Ombudsman is a senior official appointed by RBI.
- He handles and redresses customer complaints against deficiency in certain banking services.
- The Banking Ombudsman Scheme was introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.
- One can file a complaint regarding banking issue online on RBI official website. Below screen short will help you.



13. NOSTRO Account

- A NOSTRO account is one which is maintained by an Indian Bank in the foreign countries.

14. Chatbots :-

- chatbots have seen a lot of interest and have been implemented over the years. Chatbots are AI enabled conversational interfaces. Bots can conduct smart and compelling conversations on behalf of the bank with millions of consumers, at a fraction of the cost. They promise to enhance the bank's customer's experience and their approachability.

Expectations of members : It is always discussed that our students also learned Financial Management (FM) subject during our CMA course like other professional students but still our students don't get direct job in Banking sector like others. We have to think on this issue with the help of this write up.

Sources :-

- *https://www.rbi.org.in/*
- *https://www.wikipedia.org/*

Basel 3 Norms – Impact on Indian Banking

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***Basel** is a city in Switzerland. In 1974, Group of Ten countries (G10) constituted a committee consisting of central bank governors. This committee is known as Basel Committee on Banking Supervision (BCBS). India was invited to join in this committee along with certain other countries. Total number of membership is now 45. Its objective is to upgrade standard of banking globally by plugging leakage from the safety and quality standpoint of banks.*

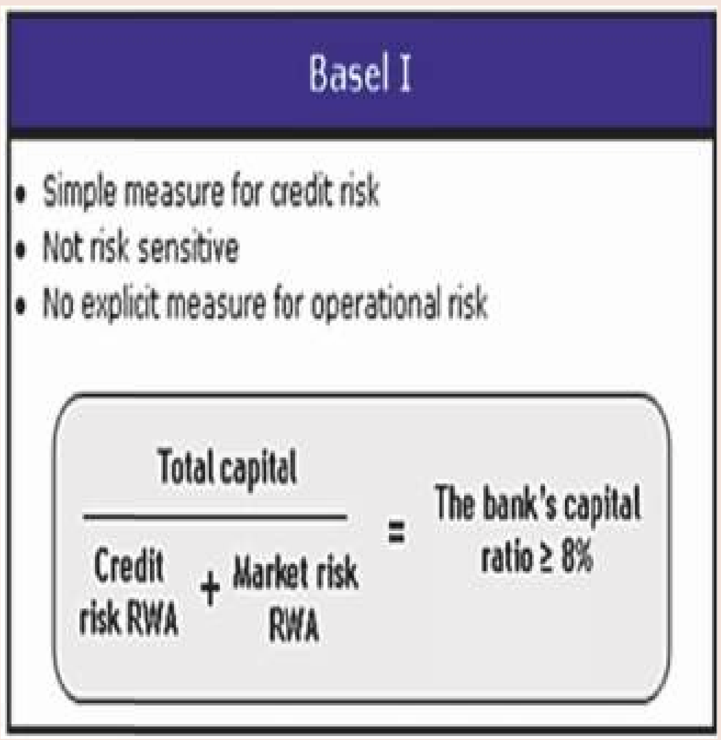
***Basel 1** (Issued in 1988) – Dealt only Credit Risk. The first Basel 1 paid attention to the capital adequacy of Banks/Financial Institutions (FI). It divided risks of assets of Banks/FI into five types. These five types of asset risks out of inadequacy of capital.*

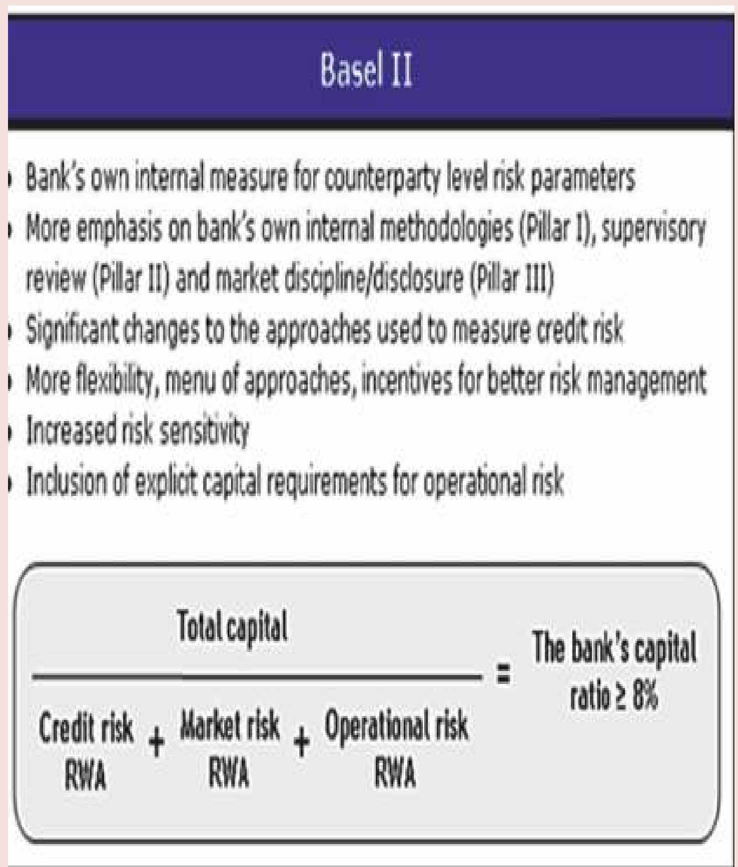
***Basel 1** (Revised in1997) Added Market Risk with existing Credit risk.*

***Basel 2** (Issued in 2004) Added Operational Risk with existing Credit Risk and Market Risks.*

Figure 1

Comparing Basel I to Basel II





Source- https://www.princeton.edu/~markus/teaching/Eco467/10Lecture/Basel2_last.pdf

BASEL 3 (Issued in 2009) Added Liquidity Risk with existing Credit Risk, Market Risk and Operational Risk. The BCBS has issued banking regulation standards and modified the standards from time to time to cope with the flexibility with varied circumstances. In 2009, the BCBS promulgated its first model of Basel III to counter worldwide economic meltdown (2007-2009). Basel 3 elaborated both Tier 1 and Tier 2 Capital.

Tier 1 capital is money brought in by shareholders. Tier-I capital, plus additional Tier-I capital as per BASEL-III consist of a) Paid up equity capital, share premium, statutory reserves, free reserves and leftover reserves of earlier period if any, b) Capital reserves consist of excess out of sale realisation of assets c) Perpetual non-cumulative preference shares and debt capital instruments fit for categorised under additional tier-I.

Tier II capital is Term Loan of long tenure. In respect of Ranking of these lenders in case of liquidation, these borrowers will get their money after depositors are repaid.

Under Basel III, tier 1 and tier 2 Capital taken together mandatorily should be atleast 8.5% of its risk-weighted holdings consisting of 7% for Tier 1 and 1.5% for Tier 2 capital. Capital ratio of a bank is measured by dividing total capital by total risk-based assets. The capital conservation buffer (CCB) would be 2 % above the least capital requirement of 8.5%. Accordingly, the lowest level of capital adequacy ratio including the CCB is 10.5% (8.5%+2%).

Basel III Example

Find out Capital Adequacy Ratio for Bank A based on following information:

	Exposure (Rs. In Lakhs)	Risk Weight
RBI Bond	15	0%
Loans to Corporates	150	10%
Loans to Small Businesses	80	20%
Guarantees and other non-balance sheet exposures	60	10%

The bank's Tier 1 Capital and Tier 2 Capital are Rs.2 Lakhs and Rs.3 Lakhs respectively.

Solution

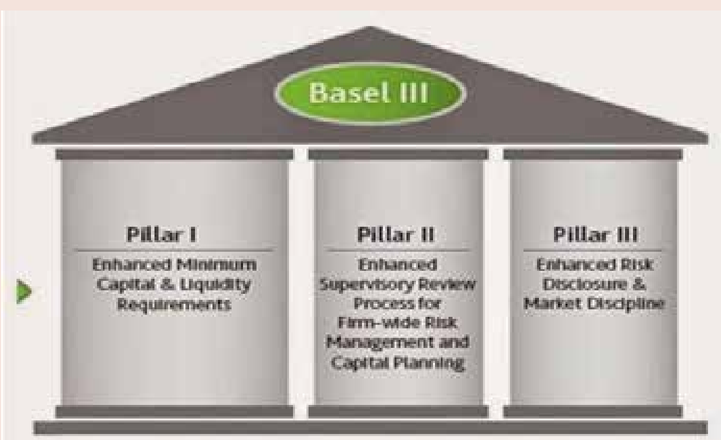
Banks's total capital = 200,000 + 300,000 = Rs.500,000 (Rs. 5 Lakhs).

Risk-weighted exposures = 15×0% + 150×10% + 80×20% + 60×10% = Rs. 37 Lakhs

Capital Adequacy Ratio = $\frac{\text{Rs. 5 Lakhs}}{\text{Rs. 37 Lakhs}}$ = 13.51%

Therefore, Bank A crossed the threshold of the mandatory capital adequacy ratio of 8.5% (or 10.50% including capital conservation buffer) under Basel III. Hence, **Bank A** is safe.

Figure 2.



Source -https://www.dhyeyaias.com/current-affairs/perfect-7-magazine/basel-III-norms-indias-preparedness

Why Basel III required in Indian Banking

In November,2018, RBI postponed that banks will have to abide by norms under Basel III regulations by 31 March 2020, whose earlier dateline was March 2019. However, because of outbreak of COVIS-19, the same may not be possiable though Banks are continuously compling with PILLAR 3 Disclosure every quarter which conform to GAAP in India which comprises the statutory provisions, Regulatory/Reserve Bank of India (RBI) guidelines. In this age, on a continuous basis, Indian banks expand globally and Foreign banks are opening shops in India. Hence, there is need for uniform Banking norms for running banking business in India. Moreover, if we follow below par banking regulatory standard compared to global norms, we will exhibit poor show compared to global peers. Elevated risk management tools being followed in Basel 3, will act as shock absorbers from unpredictable risks.

Table 1: Comparative BCBS Norms and RBI Regulations

Particulars	Basel II BCBS	Basel II RBI	Basel III BCBS	Basel III RBI
Minimum common equity Tier 1 (CET 1) (A)	2.00 %	3.60 %	4.50 %	5.50 %
Capital conservation buffer (CCB) (B)	-	-	2.50 %	2.50 %
Total equity/ capital ratio (C=A+B)	2.00 %	3.60 %	7.00 %	8.00 %
Additional Tier 1 capital (D)	2.00 %	2.40 %	1.50 %	1.50 %
Total Tier 1 capital (C+D)	4.00%	6.00%	8.50%	9.50%
Tier 2 capital	4.00 %	3.00 %	2.00 %	2.00 %
Minimum Total Capital + CCB	8.00 %	9.00 %	10.50 %	11.50 %
Leverage Ratio	-	-	3.00 %	4.50 %

Source: Developed by the author based on compilation of Basel norms and RBI norms.

Issues in implementing of Basel III framework on Indian Banking

1. Effect on Financial System

Once Basel III implemented, Banks put right Capital, Capital conservation buffer and liability ceiling among banks and other regulations. Positives of all these elements augment cut of systemic risks and professional supervision of risks arising out of defaults by a party to a contract and also prudent management of liquidity crisis when financial crisis arise. Basel III mechanism make Indian Banking system shockproof from economic and financial meltdown .

2. Forced Merger of Banks

Because Basel 3 calls for maintaining Capital Adequacy Ratio which has been made stricter by RBI, only fitter banks will survive. Since there will be added highlight by RBI on efficiency of banks, Balance Sheet management and organizational structure, there will be a tendency of small and feeble to go for Merger & Acquisition and hiving off their resources to survive.

3. Pressure on weaker banks

Traditional way of banking is gone. Strictly following Basel 3 norms as per statutory regulation is difficult specially for not so strong banks in view of difficulty of getting required fund to recapitalise such banks. Healthy and bigger banks will push such banks to the corner in competition and they will lose market share day by day and one day will be irrelevant.

4. Impact on capital requirements

As per RBI guideline total capital adequacy ratio is at 11.5 % including Capital conservation buffer of 2.5% and leverage ratio at 4.5 % under Basel III . Implementation of the Basel III by banks in India as per the yardsticks of RBI will be demanding job both for the banks and Government of India. As per calculation, Indian banks will be required to mop up Rs 6,00,000 crores in capital. The requirement of capital will be smaller for large private sector banks due to their comfortable capital ratios and higher bottom line. Such enhancement of capital bases of all banks will reduces the ROE for equity shareholders especially PSU banks.

Table 2. Selected Pillar 3 (Basel III) disclosures by Banks as on 2019 vs. 2018

Details	SBI Bank	HDFC Bank	ICICI Bank	LakhsmiVilas Bank	IDBI Bank
Period March 2019 & March 2018	March'19 '18	March19' 18'	March19' 18'	March 19' 18'	March19' 18'
Capital Adequacy Ratio	12.72 12.60	17.11 14.82	16.47 17.90	7.72 9.81	11.58 10.41
CET1(% of risk weighted assets)	9.78 9.86	14.72 12.28	13.42 14.21	5.72 8.05	9.06 7.55
Tier 1 (% of risk weighted assets)	10.78 10.53	15.50 13.22	14.73 15.56	5.72 8.05	9.29 7.86
Total capital (of risk weighted assets)	12.83 12.72	16.77 14.72	16.47 17.90	7.72 9.81	11.73 10.53
% of Gross NPA	7.53 10.91	1.39 1.72	6.70 8.84	15.30 9.98	27.47 27.95
% of Net NPA	3.01 5.73	0.44 0.43	2.06 4.77	7.49 5.66	10.11 16.69
Basel III leverage ratio	5.25 5.38	10.84 9.19	9.31 9.83	3.01 4.58	4.69 4.16

Source – Complied by Author

From Table 2 above, it is evident that both Lakhsmi Vilas Bank and IDBI Bank have failed to attain Basel 3 in respect of Tier1 and Tier 2 capital. Recently, they approached RBI for raising Tier 1 capital. However, SBI, HDFC Bank and ICICI Bank complied with Basel 3 norm very successfully.

Indian Banks, COVID-19 and BASEL 3

It is clear now that crisis created by COVID -19 globally is far deadlier than economic slowdown of 2008.

During and Post- COVID 19, Indian Banks and NBFCs will be swayed by huge NPAs both from private corporates and retail sectors in view of this huge economic blow. Mostly, MSME companies and self- employed will be hard hit and will go for default in their loans. These NPAs will eat away both Tier 1 and Tier 2 capital of banks. Here is the importance of implication of Basel 3 mechanism.

Since the beginning of COVID-19 outbreak, Stock markets in India and elsewhere has a downward journey and there is no optimism. In this situation, raising capital both by private players and already financially weary Governments is difficult. Hence, recapitalization of undercapitalized banks and PSU Banks will be problematic. To make up such shortage of capital, under the circumstances, there is hardly any route left to RBI but to relax the Capital Adequacy Ratio norm since RBI's norms of Capital Adequacy Ratio is stricter than norm of Basel Committee on Banking Supervision (BCBS). Ultimately, RBI's NO-OPTION-RELAXATION – OF – CAPITAL – ADEQUACY – NORM , will keep banks less than capitalized and conceal its losses. However, it is the survival of the fittest. Banks like HDFC Bank , SBI and may be ICICI Bank, who have strong Capital Adequacy Ratio will sail through while others will be continued to be undercapialised and will lose bottomline. In April,2020, already, IDFC First Bank is looking for Rs.3000 crores recapitalization along with AXIS Bank of INR 350 Billion. In quarter ended 31 March 2020,AXIS Bank already provided of INR 77.3bn ($1.02bn) in anticipation of loss of loan recovery in COVID-19. This provision is an increase of 185% corresponding quarter last year. Similarly, to partly to absorb shock from COVID-19,Kotak Mahindra Bank wants to raise $1bn of in the form of shares to strengthen capital base. In immediate future, there will be a series of such capital raising by Banks and Financial Institutions not only in India but also globally. Basel 3 is about optimum capitalization of Banks and Financial Institutions. Any titling towards lower capitalization gives initial negative signal of doomdays for Banks etc.

As result, courtesy COVID -19, banks and Financial Institutions in India which will be undercapitalized and with massive NPAs and bankruptcies of borrowers, will also call for relaxation of IBC norms which is one of the best economic reform. If such relaxations are adhered to, this will massively dwarf the excellent work done by IBC so far. This will be disaster.

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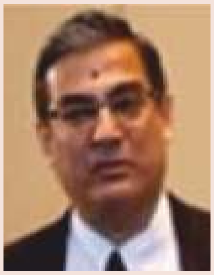
Online Crash Course organised by WIRC

Due to Lockdown, WIRC has organised online crash course via Google Meet for students of Intermediate & Final from 29th April 2020 to 14th May 2020 in two sessions.



Understanding Reverse Mortgages: Benefits & Risks

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"The universe of mortgage lending has gotten to the point where there is a place in it for everybody." Joe Mays

Abstract:

You own a house, have retired & wish fervently that there was some additional cash flow coming in, to face the twin demons of inflation & health-care costs.

Your children offer to help, but you & your spouse have decided to remain self-reliant & independent.

There is hope; **the Reverse Mortgage Loan.** What follows is a brief introduction to the RML & its features.

Caveat: As with all medicines, RML may not be right for everyone & it is **certainly not a commitment to be entered into lightly.**

Introduction:

A Reverse Mortgage Loan is just that: reverse mortgage. In a conventional mortgage, the borrower receives a loan, using her house as collateral, & pays back the loan + interest over the life of the contract.

In a Reverse Mortgage, the borrower uses the house as collateral, & receives the loan (usually in monthly instalments), **but has no liability to pay off the loan + interest during its tenure.**

<u>Why RML?</u>

Senior Citizens comprise a substantial portion of our society

Longevity is increasing

As are inflation & medical expenses

There is inadequate, if any, social security net to support them

Income streams typically dwindle (when needed most)

A house is usually the major asset in the individual portfolio

With rising prices of residential accommodation, the "home equity" wealth of senior citizens is increasing

RML is a facility to monetize this home equity & deliver a stream of cash flows to supplement their income

Features: *(as applicable in India, as per guidelines of the NHB, National Housing Bank)*

- Only senior citizens (above the age of 60 years) can avail this loan
- The house is mortgaged to the lender, in exchange for periodic payments during the contracted life of the loan
- No loan servicing is required from the senior citizen (neither principal nor interest)
- On death of the borrower, or when she leaves the property permanently, the loan plus accumulated interest is repaid, by selling the property.
- Repayment can happen either by:

  the property vesting with the lender, disposal by the lender, recovery of loan + interest & return of excess, if any, to the borrower(s) or legal heir(s); or

  the borrower(s)/legal heir(s) repaying or prepaying all amounts outstanding; & the mortgage being released, without the home being sold
- NHB permits only Primary Lending Institutions (PLIs[1]) to extend RMLs

<u>Who Can Borrow?</u>

- Senior Citizen (above 60 years)
- Married couples can be joint borrowers. At least one should be above 60 years & the younger should not be below 55 years of age.
- Only residential properties, located in India, with a minimum residual life of 20 years are eligible
- The house or flat must be self-acquired & self-occupied
- The title must be clear & the property free from encumbrances
- The property in question must be the permanent primary residence of the prospective borrower

<u>How Much?</u>

- The loan amount will depend on market value, residual life & prevalent interest rates
- Some banks offer total loan amount up-to Rs. 2 crore (subject to full compliance)
- An overarching consideration will be that the EVR[2] (Equity to Value Ratio) does not fall below 10% at any time during the tenor of the loan.
- The PLIs will re-value the property at least once every five years & the quantum of loan may change as a result of this valuation.
- The maximum monthly payment is currently capped

at Rs. 50,000/- (subject to revision by the Government of India) Payment can also be quarterly, half-yearly or annually

- Lump-sum may be considered in medical emergency
- Maximum lump-sum payment cannot exceed 50% of total eligible loan amount, subject to a maximum of Rs.15 lakh (subject to revision by the Government). This amount is only to be used for medical treatment for self, spouse & dependants.

  A special feature of the RML is the non-recourse guarantee, or no negative equity. The loan + interest keep compounding & there are no repayments. Instead, cash payments are paid to the borrower periodically, as per the loan covenant.[3]

- **It could happen that over time (whether before or after the payments stop) the amount outstanding is in excess of the value of the property.** To prevent distress to the senior citizens & their heirs, RML typically comes with the non-recourse guarantee.
- The borrower(s)/heir(s) are not liable for any amount, other than the market value of the house. They cannot be called on to make any additional payment, even if the outstanding amount exceeds the market value of the house.
- At most, the house can be taken over by the lender (even that, only after death of the borrowers), or when the borrower permanently shifts residence (aided nursing home or relative or another house)
- Hence, the LTV or Loan to Value is generally about 40% & not more than 80%.

Use of Funds:

RML is a unique financial facility for a particular requirement & its end use can be only for:

- Upgradation, renovation & extension of residential property
- Home improvement, maintenance, insurance
- Medical emergencies (see lump-sum payment terms above)
- Supplementing income
- Other bona-fide needs
- Use of RML for speculative, trading & business purposes is not permitted

Interest Rate

Can be fixed or floating. Floating is generally decided as the sum of: MCLR4 + Strategic Premium + Fixed %age (usually, about 1.5% to 2%)

MCLR & Strategic Premium will also vary from lender to lender.

Rates are higher than for normal housing loans, because of the additional risks discussed above. Range is from 9.40% to 11.90% (indicative)

Other Charges

Insurance is a must

Processing Fees

Service Charges & other charges as applicable

Term

Maximum 20 years (some PLIs offer maximum 15 years in India)

Term 20 years implies that the cash flows will stop being paid to the borrower at the end of 20 years. If however, the borrower outlives the term & decides not to repay yet, the loan continues to grow with interest accumulating, without any requirement of settlement on part of the borrower.

Taxation

- All payments received under the RML are exempt from income tax u/s 10(43) of the Income Tax Act, 1961
- Capital Gains on Transfer. Section 47(16) of the Income Tax Act, 1961, excludes the act of mortgaging property for reverse mortgage, from the definition of transfer. Hence, there is no tax implication on mortgaging the property to avail of the RML.
- However, if the property is subsequently sold, either by the PLI to clear the loan, or by the borrower/heir(s), capital gains will be applicable as per the Income Tax Act, 1961.

Right to Rescission

A special feature of RML is that even after the documents have been executed & the loan disbursed, borrowers may cancel the transaction within three business days.

Closing

The PLIs will provide comprehensive documentation along with detailed benefits & obligations of the product.

Closing costs include customary fees & charges, including:

- Origination, appraisal & inspection fees
- Verification charges & Title examination fees
- Legal fees & other charges
- Valuation, Stamp Duty & Registration charges

Settlement of Loan

The loan is payable only when the last surviving borrower dies, or wishes to sell the house, or permanently moves out; which means that none of the borrowers has lived there continuously for one year.

Before selling the house to recover the outstanding loan amount, the PLI will give first right to the borrower(s)/heir(s), with a reasonable time to clear the loan. If they do, then the property reverts back to them.

Prepayment

Can be done anytime

No prepayment penalty

Foreclosure

The PLI can foreclose the loan if any one or more of the following events occur. The borrower:

- has not stayed in the property for a continuous period of one year

- fails to pay property taxes, or to maintain the property
- does not insure the home
- declares bankruptcy
- effects material adverse changes, or rents out the house or part thereof
- perpetrates fraud or makes a misrepresentation
- is called upon by the government under statutory provisions, to relinquish the residential property for public use
- is served notice by the government, condemning the property (e.g. for health or safety reasons)

Important

RML is a special financial instrument, new & as yet, not fully tested by market pressures.

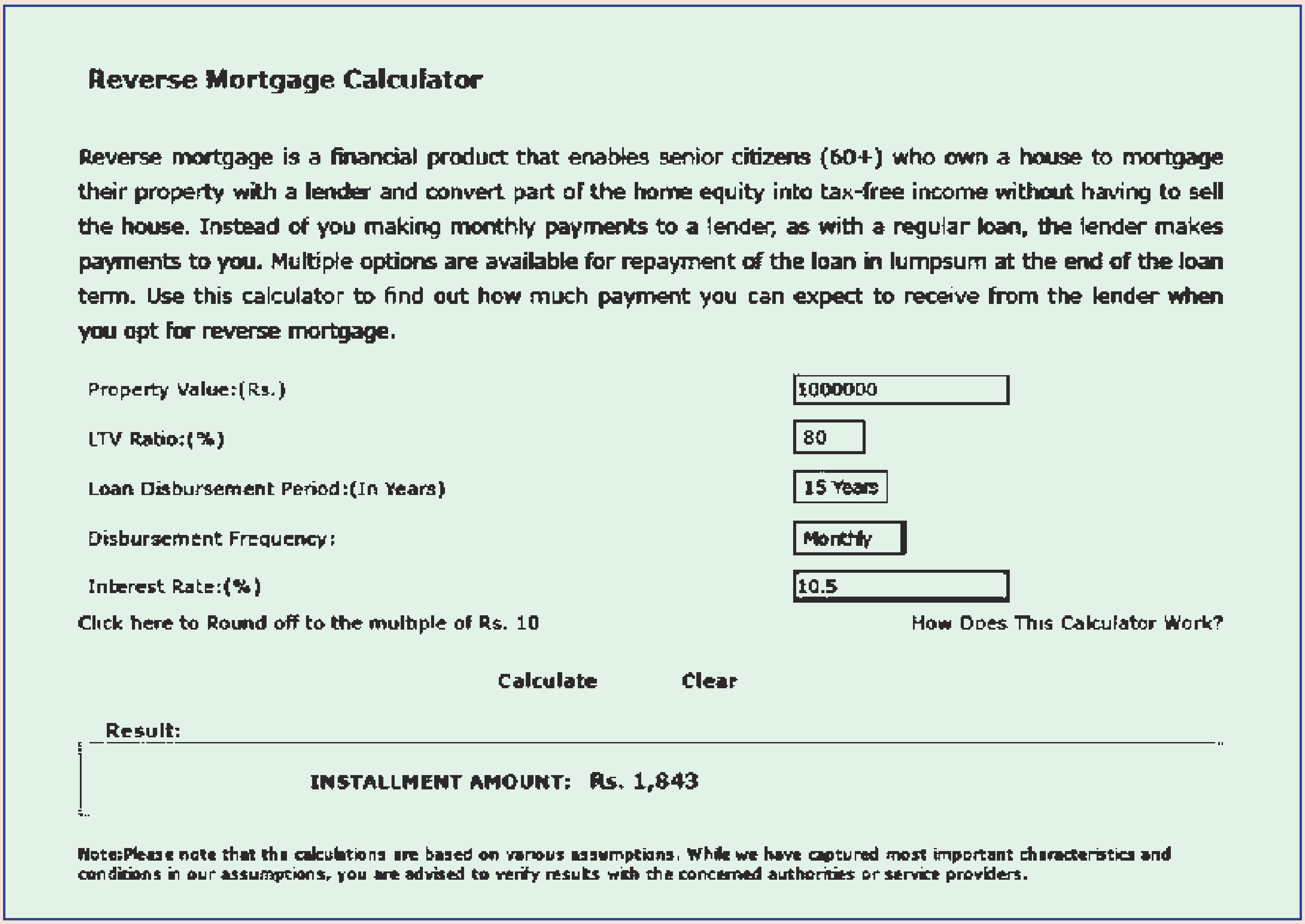
Counselling of the borrower is essential (in fact, in several countries, it is mandatory)

Caution

* Most people do not realize how powerful compound interest is. The loan + interest outstanding can soon become much more than the borrowers anticipated, resulting in far lower (or zero), residual equity value than they originally planned for.
* Often, the risks are not explained at the outset, or the fact that the loan amount & cash payments can change
* Floating interest rates may appear attractive, but if the interest cycle turns upward, it will create difficulties for the borrower
* A combination of falling house prices & rising interest rates can be potentially dangerous to both parties.

Illustrations below are courtesy, NHB

Illustration 1: 15 years



Reverse Mortgage Calculator

Reverse mortgage is a financial product that enables senior citizens (60+) who own a house to mortgage their property with a lender and convert part of the home equity into tax-free income without having to sell the house. Instead of you making monthly payments to a lender, as with a regular loan, the lender makes payments to you. Multiple options are available for repayment of the loan in lumpsum at the end of the loan term. Use this calculator to find out how much payment you can expect to receive from the lender when you opt for reverse mortgage.

Property Value:(Rs.)	1000000
LTV Ratio:(%)	80
Loan Disbursement Period:(In Years)	15 Years
Disbursement Frequency:	Monthly
Interest Rate:(%)	10.5

Click here to Round off to the multiple of Rs. 10

How Does This Calculator Work?

Calculate Clear

Result:

INSTALLMENT AMOUNT: Rs. 1,843

Note:Please note that the calculations are based on various assumptions. While we have captured most important characteristics and conditions in our assumptions, you are advised to verify results with the concerned authorities or service providers.

[1] PLIs are Scheduled Banks & Housing Finance Companies (HFCs) registered with NHB, or any class of institutions as may be notified by the Government of India.

[2] EVR is the ratio of the homeowners' equity to the value of the loan. RML by nature is a negative amortization instrument, which means that the loan amount increases over the life of the loan. Hence, the EVR constantly reduces with time.

[3] Covenant = a written agreement or promise usually under seal between two or more parties especially for the performance of some action (https://www.merriam-webster.com/dictionary/covenant)

[4] Marginal Cost of Funds based Lending Rate (MCLR)

Illustration 2: 20 years

Reverse Mortgage Calculator

Reverse mortgage is a financial product that enables senior citizens (60+) who own a house to mortgage their property with a lender and convert part of the home equity into tax-free income without having to sell the house. Instead of you making monthly payments to a lender, as with a regular loan, the lender makes payments to you. Multiple options are available for repayment of the loan in lumpsum at the end of the loan term. Use this calculator to find out how much payment you can expect to receive from the lender when you opt for reverse mortgage.

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Disbursement Frequency:	Monthly
Interest Rate:(%)	10.5

Click here to Round off to the multiple of Rs. 10

How Does This Calculator Work?

Calculate **Clear**

Result:

INSTALLMENT AMOUNT: Rs. 987

Note:Please note that the calculations are based on various assumptions. While we have captured most important characteristics and conditions in our assumptions, you are advised to verify results with the concerned authorities or service providers.

The Calculations & Logic

Property Value		**10000000**		
LTV Ratio	**%**	**40%**	**60%**	**80%**
Term	yrs	20	20	20
Frequency	Monthly			
Interest Rate	%	10.5	10.5	10.5
Installment Amount		**4,935.20**	**7,402.79**	**9,870.39**
Installment Increases with increase in LTV Ratio				

Table 1: Effect of LTV (Loan to Value) Ratio

Property Value		**10000000**		
LTV Ratio	%	40%	60%	80%
Term	**yrs**	**15**	**15**	**15**
Frequency	Monthly			
Interest Rate	%	10.5	10.5	10.5
Installment Amount		**9,215.96**	**13,823.94**	**18,431.91**
Installment Increases when Term of Loan Decreases				

Table 2: Effect of Term of Loan (comparison with Table 1)

Property Value		**10000000**		
LTV Ratio	%	40%	60%	80%
Term	yrs	15	15	15
Frequency	Monthly			
Interest Rate	**%**	**8**	**8**	**8**
Installment Amount		**11,559.42**	**17,339.13**	**23,118.83**
Installment Increases when Interest Rate Decreases				

Table 3: Effect of Interest Rate (comparison with Table 2)

Conclusion

Reverse Mortgage Loan is a niche product, not for everyone. Even those who decide to opt for it must make every effort to understand the product & the possible downside.

Parting Thought: Caveat Emptor1

Actually, the full phrase is, "Caveat emptor, quia ignorare non debuit quod jus alienum emit" ("Let a purchaser beware, for he ought not to be ignorant of the nature of the property which he is buying from another party.") In this case, the buyer is not buying property, but taking a loan. Nevertheless, the legal jargon & fine print can make life difficult for even the alert & the educated customer.

PLEASE, PLEASE, BE CAREFUL & FULLY INFORMED BEFORE PLEDGING YOUR MOST SUBSTANTIAL ASSET.

ELSE, AN IMAGINED BOON CAN BECOME A CURSE.

(a la Dr. Jekyll & Mr. Hyde)

Disclaimer

The author makes no attempt to recommend or otherwise, any product or service mentioned here. The sole objective of this article is to share concepts & ideas, with caution always being the watchword.

e & oe. Without prejudice, without recourse.

Role of Letter of Credit in Business

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In the modern era of trade, letter of credit is playing significant role in Business financing, earlier letter of credit was only used as international financing device in International trade, however now a days it is quite popular in domestic trade also. Theories said that Letter of credit is not a new term in this world. Some believes that origins of letters of credit go back to ancient Egypt and Babylon. It can be say that 'Necessity is mother of Invention', when business realized mutual lack of trust between parties and observed that business cannot be made simply by handshake, some surety to seller is required that buyer will not make default in payment after receiving the goods or services, then Letter of credit come in picture and slowly becomes necessity of business. Originally it was a letter addressed by the buyer's bank to the seller's bank stating they would guarantee payment the seller in case of the buyer's default.

L/Cs plays an important role in the trade of a country, especially in its international trade. In most of the cases, the exporters (sellers) are personally not acquainted with the importers (buyers) in foreign countries. In such cases the exporters bear great risk, if they draw bills on importers, after having dispatched the goods as per their orders, because if the latter default in accepting the bills or making the payment, the exporter will suffer with heavy losses. To avoid such kind of risks, the exporters ask the importers to arrange a letter of credit from their banker in favour of themselves, on the basis of which goods may be exported to the foreign importers

Meaning of letter of Credit

Letter of Credit ('L/C'), also known as a documentary credit is a payment mechanism used specially in international trade. In an L/C, buyer's bank undertakes to make payment to seller on production of documents stipulated in the document of L/C.

According to Uniform Custom and Practice for Documentary Credit (UCP), 600, Letter of Credit means 'any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation'.

Uniform Custom and Practice for Documentary Credit (UCP), 600 provides standard format of Letter of credit and Uniform Customs and Practices for Documentary Credits - 600 (UCPDC-600) apply to any LC when its text expressly indicates that it is subject to these rules. The rules are binding to all parties unless expressly modified or excluded.

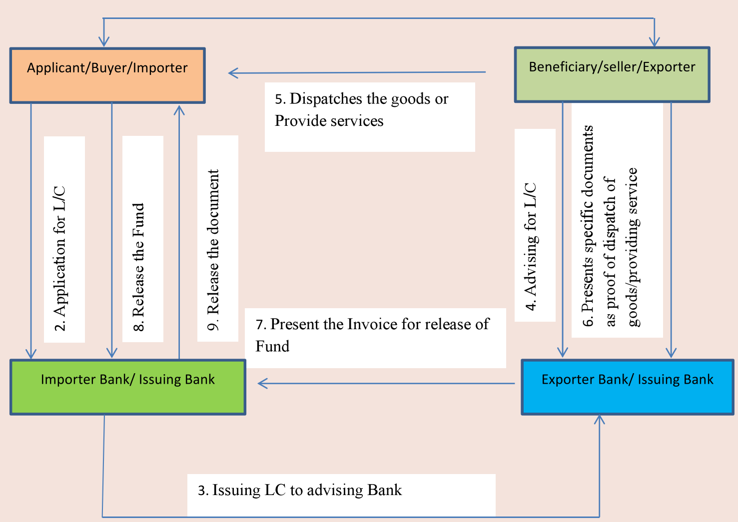
Parties of Letter of credit

There are mainly four parties in letter of Credit which is as under;

Applicant	Applicant is the buyer or importer of goods or services. The Bank opens the L/C on behalf of buyer. He is termed as Applicant or Opener of Letter of Credit.
Issuing Bank	Issuing bank is a bank which opens L/C and undertakes to make payment to the beneficiary (seller/ exporter) on submission of relevant document(Delivery challan, GST Invoice, shipping documents, transport slip as the case may be) as per the terms and condition of L/C.
Beneficiary	Beneficiary is the seller / exporter of goods in whose favour L/C is opened.
Advising Bank	Advising Bank is the seller bank through whom LC is advised to the beneficiary.
Confirming Bank	Confirming Bank is the bank which in addition to L/C issuing bank, undertakes the responsibility of payment under L/C. This is required since the L/C issuing bank may not be known to the exporter and he therefore needs reputed bank from his country to add confirmation to the LC. Confirming Bank may or may not be there.

How the Letter of credit work

The process of letter of credit can be understood through following diagram:



1) There is sale/supply contract between Buyer (Applicant) and seller (Beneficiary) and supply contract is having clause that buyer can make the payment through L/C and name of advising bank is given in supply contract.
2) Buyer (Applicant) approach to their Bank for issuing the Letter of credit with the name of buyer Bank

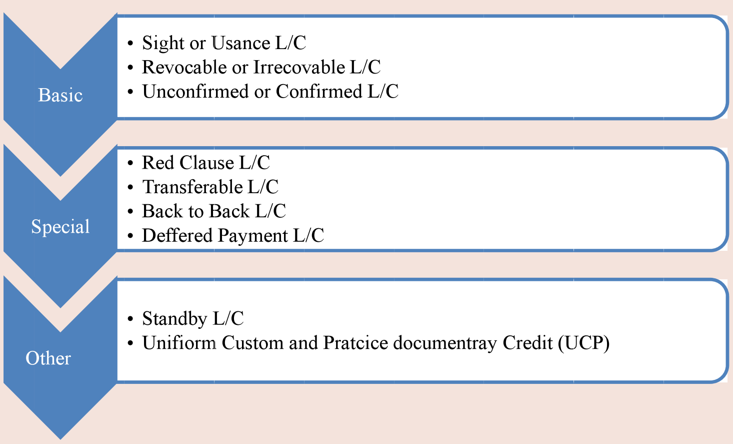
(Advising Bank). Usually there is standard format of letter of credit, however there may be some specific clause mutually decided by both the parties and agreed by their bankers.

3) Issuing Bank issue letter of credit to advising bank as mentioned in supply contract.
4) Seller (Beneficiary) approach to their Bank (Advising Bank) for letter of credit.
5) Seller (Beneficiary) dispatches the goods/provides the service as per the supply contract to buyer.
6) Seller (Beneficiary) present the specified documents to Advising bank as proof of dispatch of goods. The specified documents may include the following;
   a) Financial Documents: Bill of Exchange, Co-accepted Draft
   b) Commercial Documents : Delivery Challan or GST Invoice or Debit Note or Commercial Invoice
   c) Shipping Documents: Lorry Receipt or E-way Bill or Railway receipt
   d) Any other documents as prescribed in sale contract
7) Advising Bank present the documents to issuing bank for releasing of fund and after receiving the fund for issuing bank provide fund to beneficiary.
8) Issuing Bank release documents to Applicant after receiving the fund

   There may be time lag for releasing the fund for issuing bank to advising bank and receiving the fund from Applicant. Bank charge fixed fee for the letter of credit as compensation of time lag. Usually bank charge fee from buyer /applicant of L/C.

Types of Letter of credit

The following are the types of Letter of Credit



A) Basic Type of Letter of Credit

i) Sight or Usance Letter of Credit

When an issuing bank makes payment to the beneficiary immediately on receipt and verification of the documents from the beneficiary (Seller/exporter); it is called a sight letter of credit. On the contrary where the issuing bank agrees to pay the beneficiary only on the expiry of the letter of credit, the L/C issued is called usance letters of credit.

Usance letters of credit is considered risky from the point of view of an exporter/seller as he is left unpaid for a considerable period of time after the delivery of the goods or providing of service.

ii) Revocable or Irrevocable L/C

Revocable letter of credit can be cancelled anytime by the Issuing bank without the consent of or without intimating the beneficiary. Irrevocable letter of credit cannot be cancelled or withdrawn by the issuing bank without informing and receiving an approval from the beneficiary. Revocable letter is very risky from the seller/beneficiary point of view.

iii) Unconfirmed or Confirmed L/C

Confirmed L/C wherein apart from issuing bank, Seller acquire the guarantee of payment from confirming Bank. Unconfirmed L/C that is assured only by the issuing Bank and does not require the guarantee from second bank

B) Special Type of Letter of Credit

i) Red Clause L/C

A letter of credit that partially pays the beneficiary before the goods are shipped or the services are performed. The advance is paid against the written confirmation from the seller.

ii) Transferable L/C

A Transferable Credit is one in which a beneficiary can transfer his rights to third parties. In trading business, this kind of L/c is used, wherein beneficiary (Trader of goods) transferred the letter of credit to next chain of supplier or manufacture. The beneficiary work as intermediary of actual supplier or manufacture

iii) Back to Back L/C

In Back to Back Letter of credit, seller of goods requested to bank to issue letter of credit in favour of their input supplier. Seller of goods acts beneficiary as well as applicant.

iv) Deferred Payment L/C

Deferred Letter of Credit is a type of Letter of Credit in which a conditional undertaking is taken by the bank to pay the seller on behalf of the buyer on a specified future date after completion of the transaction. It is looking similar to usance letter of credit; however, in usance Letter of Credit, the bank makes the payment to the beneficiary on a pre-determined date after submission of necessary documents. In deferred letter of credit, specified future date after completion of the transaction .

C) Other type of Letter of Credit

i) Standby Letter of Credit

Stand by Letter of credit, that assure that in case of buyer failure to make the payment, Bank will pay to seller

ii) Uniform Custom and Practice documentary Credit (UCP)

Uniform Customs and Practice (UCP) for Documentary Credits is a publication of International Chamber of Commerce (ICC) which is a voluntary code applied by the banks all over the world. As per UPC Letter of credit can only be irrevocable credit.

What is the Common discrepancy in Letter of Credit?

In the following circumstances bank may raise discrepancy and stop releasing the payment until discrepancy is not removed;

i) Inconsistency in Documents; As per the terms and condition of L/c; relevant documents for claim will be Invoice, however seller present the Debit note for payment. The banker may raise discrepancy. While framing the terms and condition of L/C; Seller should ensure that all the relevant documents (Like Delivery challan, Debit Note, invoice, commercial invoice) used in commercial business parlance is included in Letter of credit to avoid dispute

ii) Incorrect data; documents presents is not comply with the terms and condition of Letter of credit.

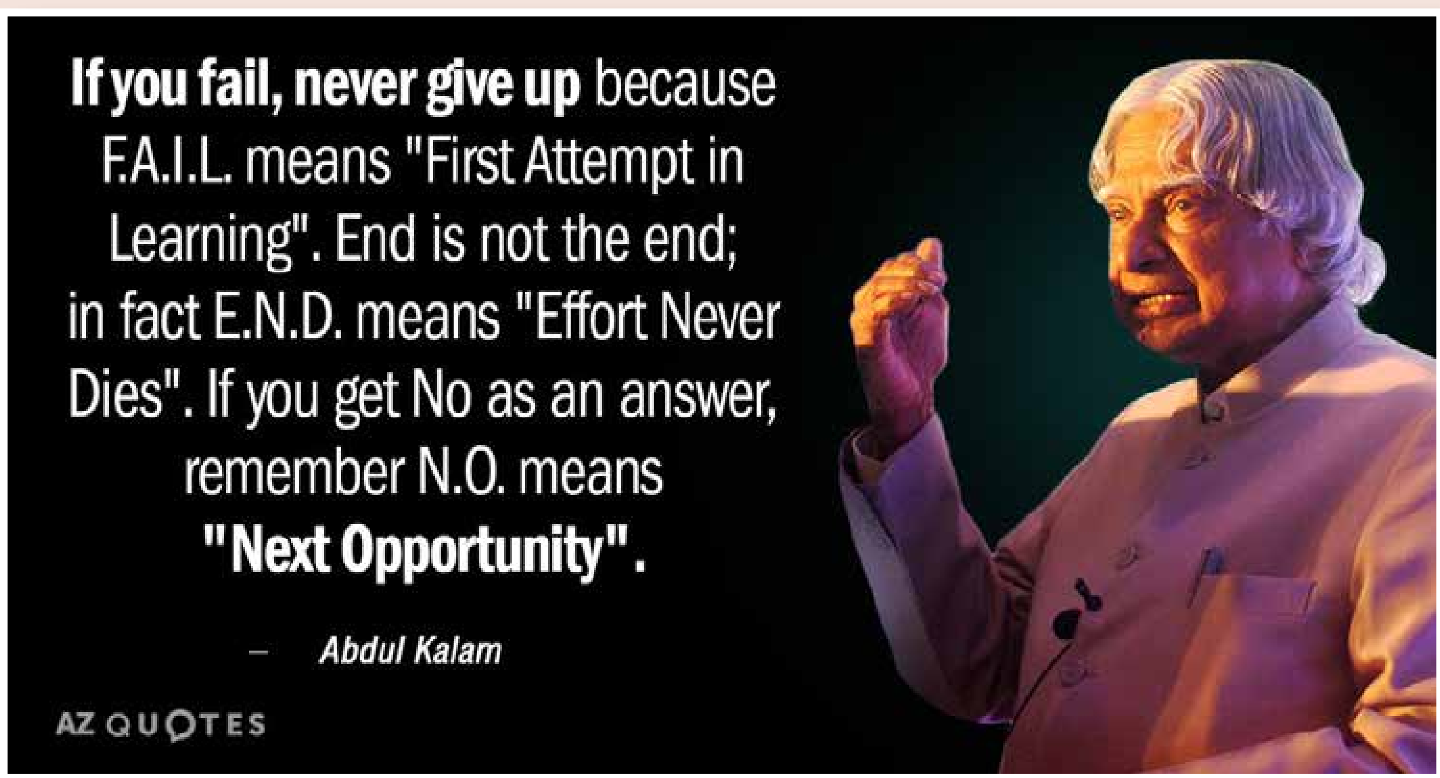
iii) Late shipment ; Goods shipped after the expiry of date as mentioned in terms and condition of letter of credit

iv) Late Presentation: In terms and condition of letter of credit, it is stated that seller will present the documents within 24 hours of dispatch of goods, however documents is presented before bank after the expiry of 24 hours.

v) Letter of credit expired: Documents presented after the expiry of letter of credit cover period.

vi) Absence of documents : Complete Documents mentioned in terms and condition of Letter of credit is not submitted to bank

vii) Incorrect description of goods : In terms and condition of Letter of credit, goods is mentioned as X, however seller charge some other charges like incentive for fulfillment for timely fulfillment of contract and the same is not included in L/C terms and condition, in that case bank may raise objection.



Banking reforms and enhancing Credit Supply for Infrastructure Projects

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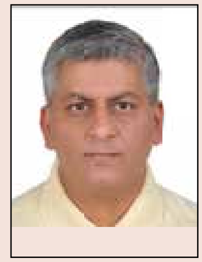

Banking Sector Reforms have continually remained a crucial agenda for the Government. Over the last few years, the Government has undertaken significant consolidation amongst PSU Banks. First, the associate banks of SBI were merged with the parent in April 2017. Then, Dena Bank and Vijaya Bank merged into Bank of Baroda in April 2019. And, from April 2020, a larger program to merge 10 PSU banks into 4 came into effect. Over the years, norms and processes related to loan loss recognition and recoveries have been streamlined. BIFR, CDR mechanism, S4S mechanism and many other variants have now converged to proceedings under the Insolvency & Bankruptcy Code. The Government has also undertaken massive recapitalization of PSU Banks in recent years.

The government has unveiled a series of measures over the past few months aimed at improving liquidity in the system, moderating interest rates as well as credit growth apart from addressing stress in the NBFC sector. Better efficiency, productivity and transparency in the public sector banks are also in the agenda of the Government. Amendments to the Banking Regulation Act have been proposed to increase professionalism, facilitate access to capital and improve oversight through the Reserve Bank of India (RBI). It is also recognized that Cooperative banks and non-banking finance companies (NBFCs) are also important constituents of the financial sector to be strengthened through improved governance. It is well recognized that a clean, reliable and robust financial sector is critical to achieving the vision of India to become a five trillion economy in the next five years' time.

However, the important question is whether these reforms have brought or will bring any relief to infrastructure funding in the country which is going to be a foundation for new India.

Infrastructure is an impetus to sustained economic growth. If not developed adequately, it can be a bottleneck to future development and growth of the country. Infrastructuredevelopment consumes demands large ticket scale investments, it creates job opportunities, alleviates poverty, churns the economic cycle and improves international competitiveness. The infrastructure irrespective of the sector, act as a platform to other services and an important building block for the development. Recognizing the importance of Infrastructure, likemany countries, India has implemented far reaching reforms. Introduction of Regulation and privatization was done in several infrastructure sectors. There has been tremendous improvement in infrastructure supply and services. However, there are still miles to go. One of the constraints remains availability of adequate low-cost long-term finance to build and maintain the Infrastructure services.

Traditionally, banks and international donors were the major funding sources for infrastructure projects in most emerging market economies. While infrastructure needs exceed sources of traditional funding, traditional sources seem to be shrinking due to reduced fiscal space and falling donor resources. Therefore, increasing need for enhanced participation of private sector in infrastructure projects becomes inevitable. World Bank is also of the opinion that the goal should be to deliver infrastructure projects by reducing the reliance on public funds (i.e. taxpayer money) – either for immediate financing or future repayment – and mobilizing greater amount of commercial financing.

Infrastructure projects require high investment with a long gestation period and involved great degree of risk. Involving the private sector in the design and construction of infrastructure, even when it is owned and managed by the public sector, can increase supply efficiency. There are only a few infrastructure players in the country who have the technical and financial capability and ability to roll out projects of national interest like airports, ports, roads, power plants etc. These agencies are selected through competitive bidding processes which filter out many players on technical or financial grounds. This has resulted in few large players responsible for driving the infrastructure growth of the country. Accordingly, few major Infrastructure players continue to have high debt on their balance sheet. These barriers/ restrictions would lessen the ability and eligibility of many organizations to bid for future projects as the organizations with superior technical credentials compared to others would struggle to raise financing to participate in strategically important projects.

Apart from this there are several other reasons for higher Debt situation in existing Infrastructure Assets which are briefly explained below.

The first and foremost reason is that the Infrastructure projects are generally long gestation projects, wherein the cash flows in the initial years are insufficient to repay the debt, due to various project dynamics & inefficiencies. Hence, debt repayments are made back ended to match with the cash flows.

Time overrun is another reason for increasing debt. Delay in availability of Right of Way (ROW), Environmental Clearances, Delays in critical Supply or Purchase Contracts, Approvals for Utility Shifting etc., are some of the key issues which legitimately impact timely completion of projects and projects getting delayed. Further due to reasons, which are beyond concessionaire's control, like disruptions in supply of raw material, public resistance, lower revenue realizations, revenue realization issue with bulk customers, etc. result in increase in the project debt and delay in debt servicing.

Tax - free Infrastructure bonds are very attractive source of obtaining quick finance for the infrastructure projects. However Private Companies are not permitted to issue Tax–free Infrastructure Bonds. Section 54EC of the Income Tax Act provides exemption to long term capital gain for investment in long term specified assets like certain bonds issued by PSU Non-Banking Finance Companies like REC and NHAI. On a similar pattern, bonds, issued by infrastructure companies are not considered for benefits under section 54EC of the Act. This requires to be considered. This will accelerate the growth in infrastructure sector in addition assist the infrastructure companies in reducing their debt cost, and also increases the investment avenues.

Money markets are another source of finance for infrastructure projects. However there are difficulties in borrowing from Money markets. Corporate bond market in India are absent for companies with rating less than A. Typically, infrastructure project companies are rated at the lowest rung in the investment grade rating, which makes the market participants careful about their credit profile and hence they stay away or avoid from participating in such papers. Further infrastructure assets are built on the back of long-term concession agreement; infrastructure companies require long term funds. However, bulk of participants in money markets have investment horizon of 3 to 5 years only. Perceived risk of infrastructure project is very high, which results in high cost of borrowing weakening the viability of the infrastructure projects. In the absence of equally broad-based alternative market, it is absolutely essential that corporate bond markets, particularly for lower rated issuers are developed in the country.

Overseas lenders are another source of finance for infrastructure projects .There are difficulties in borrowing in foreign currency too. Majority of the revenue of an infrastructure company is in local currency. Even if the company is able to borrow from foreign banks in foreign currency, it is very essential for the company to hedge its exposure. In the absence of any natural hedge, this arrangement can result into high cost of borrowing. Moreover, the infrastructure sector requires long term financing for 15-20 years, and hedging mechanism is not available for more than 5 years. This brings new challenges for risk management, thereby restricting the ability of corporate to raise funds from overseas lenders.

Higher interest rate is another reason impacting the development of Infrastructure projects. The burden of higher interest cost among other factors has impacted the financial viability of many large projects. There is a requirement to facilitate borrowing cheaply and repay over longer periods. Infrastructure companies, who suffer from higher cost due to several other reasons explained above would be loaded with additional cost due to high interest rate which will have two multiplier effects, and that can affect the viability of projects resulting in higher stressed assets:

- Projects where costs are pass through (such as Airports) – higher interest rates will result into passenger / consumers paying higher, thus bringing inflationary pressure.
- Projects where costs are NOT pass-through (such as Power projects) – increase the cost and affect the viability of the project.

The issue of classification of Infrastructure projects under “Specified Borrowers” is another hurdle for availing easy finance. Specified borrowers are those who have Aggregate Sanctioned Credit Limit (ASCL) which means the aggregate of the fund-based credit limits sanctioned or outstanding, whichever is higher, to a borrower by the banking system. At present the limit is 25,000 crores at any point of time. Many infrastructure companies cannot reach up to this limit to avail the facility. There is requirement that the infrastructure projects should be excluded from the definition of “Specified Borrowers”. RBI should facilitate development of alternate means of financing for infrastructure companies in addition to traditional banking channel. There are many such schemes which can be considered as alternative arrangement of financing infrastructure projects.

Apart from these measures, banking sector must be encouraged to finance long gestation projects with long term funding. Ideally the recovery tenure must match the contract/ lease agreement period. However, in view of the inherent risks in infrastructure projects due to factors such as stretched viability due to aggressive bidding, non-availability of 100% land, delay in statutory approvals, and potential fund diversion by unscrupulous developers, Banks need to take all necessary precautions in deciding asset coverage, service coverage, and other metrics to avoid non-performance and release funds strictly based on stage-wise execution of projects.

Let us hope the Banking reforms introduced in the country will find solution for this important concern and will boost the infrastructure development in the country.

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Theme for Coming Months

Month	Theme
June	Insurance
July	GST
August	ERP/SAP

Theme of June 2020 is Insurance. Editorial board invitees' articles / papers on Insurance for the WIRC Bulletin for the month of June 2020.

Regular articles/papers on other professional matter are also going to be published in WIRC Bulletin apart from articles/papers on respective theme. Editorial board also invitees' articles / papers on other professional matters.

Kindly send your articles on or before 5th June 2020 by email to WIRC : wirc.admin@icmai.in. Editorial board had also formed minimum criteria for selection of Article/Paper for WIRC Bulletin in Editorial Board meeting held on 14th February, 2020. Following is the minimum criteria for selection of Article/Paper for WIRC Bulletin.

1. Type of Article: Related to theme of the month or any other professional matter.
2. Font: Arial/ Time New Roman/Calibri
3. Font Size: 11
4. Minimum length of the Article: 1000 Words (Other than graphs/tables/figure/pictures)

   Kindly send your Article/paper accordingly.

Pls. Note the final decision to consider Article/Paper is left with Chairman – Editorial Board.

CMA's Role in banking sector as Stock Auditor

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Cost and Management Accountant play pivotal role in Stock Audit of various industries, but the role in banking sector is more crucial. Empanelment in banking sector is a altogether different experience. After Conducting Concurrent Audit and Stock Audit for various banks I would like to share some practical aspects of the same.

In the context of rapid growth of credit, effective supervision & monitoring of advances have assumed considerable importance in Indian Banking Sector. In case of working capital finance, one of the measures that is deployed by the lenders for ensuring the end use of funds and monitoring the borrowal account is the system of periodical Stock Audit by the independent qualified Stock Auditors.

Stock Audit policy

Before conducting stock audit it is necessary to study the policy of the particular Bank. The Credit Audit & Monitoring Department is responsible for drafting of Stock Audit policy and also for periodical review of the relative policy and processes.

The document termed as "Stock Audit Policy", codifies the policy and the procedure involved in the Stock Audit function. This has been compiled after taking into account changes that have taken place in the lending scenario and monitoring systems.

The Objective

The main objective of stock audit is to ascertain whether the security (borrower's stock and debtors) against which working capital finance has been made is safe and is valued correctly. It is the duty of the Stock auditor to verify the physical existence and absolute ownership of inventory / movable property charged to the bank and to examine the genuineness of the Sundry Debtors list submitted by the borrower

The various purposes expected to be achieved through stock audit may be summarized as follows

- To carry out physical examination of stock to ascertain the quality, value and age of the inventory thereby identifying whether there exist any obsolete stock & if yes, whether it has been segregated & written off and excluded while arriving the drawing power
- To verify whether the stock is adequately and properly insured against fire and other natural calamities (in appropriate cases against other risks like theft, burglary, marine, riots etc. as per sanction) and kept in secured manner
- To ascertain whether physical stock tally with the stock statement submitted to the banker. (This is the grey area and Auditor's Responsibility is enormous.)
- To ascertain whether hypothecated stock is realizable.
- To physically verify the value of paid Stock (by excluding the total value of unpaid stock with reference to the level of Trade Creditors and the total value of stock procured under the Non Fund based credit limits viz., FLC(Foreign letter of credit) /ILC (Inland letter of credit)/ BG) available in the borrower's location and confirm the same together with the eligible Book Debts are sufficient to cover the total amount outstanding in the Working Capital Limits (Fund based) along with the required level of margin.
- To verify whether the value of stock (procured under Non fund based limits) available on the date of physical verification along with the eligible Book Debts emanated from the sale of such goods is sufficient to cover the total amount of Bill Liability under the Non fund based limits including Bank Guarantee Limit for Supply of Goods
- To verify related records / registers / Books of accounts such as Stock Register, Purchase Register, Sales Register, Purchase Invoices, Sales Invoices, Credit Notes, Debit Notes etc., maintained by the borrower.
- To ensure proper preservation / storage and handling of stock.
- To ensure the stock under hypothecation have not been hypothecated to other Banks.
- To examine the end use of the funds and verify whether any diversion of funds, interlocking of funds among sister concerns.
- To confirm whether all the sanction conditions are complied.
- To confirm that stock is owned by the borrower and finance is made against value of paid stock only.
- To examine the age wise debtors outstanding as per books and as per statement submitted by the borrower, steps taken for recovery of long pending debtors and likely instances of debtors turning bad, if any.
- To ensure the timely submission of Stock / Book Debts statement, QIS statement etc.,

Stock Audit coverage

The borrowal accounts having working capital limits of both Fund based and Non Fund based Limits where the primary security is hypothecation of Stock and / or Book Debts come under the purview of Stock Audit. In exceptional cases, Stock Audit may be conducted for the working capital limits below based on the specific request of Credit Department Moreover, in case of NPA borrowal accounts having Working Capital limits where the primary security of stock and/ or Book Debts are available are also come under the purview of Stock Audit.

Fund Based limits: Fund Based Limit includes all types of Working Capital Limits sanctioned such as Cash Credit (Stock), Cash Credit (Book Debts), Overdraft, Term Loan / Demand Loan (For Working Capital purpose), Bill limits Packing Credit Limit, Key Loan, Ware House Receipts Loan, etc.

Non Fund Based limits: Non Fund Based Limits sanctioned for Working Capital purposes such as Bank Guarantees, ILC (DA terms) / FLC (DA terms), etc., for the supply of goods on credit terms.

Advances under Consortium / Multiple Banking arrangement In case of advances coming under Consortium / Multiple Banking arrangement, the Bank may fall in line with the Leader of the Consortium or Highest lender, as the case may be.

In certain industries, business activities and projects, by the very nature of the business model, the primary security charged to the Bank is though tangible, not easily verifiable. In such cases, the Stock Audit should be conducted by outsourcing Stock Auditor who is having special/ specific knowledge about the nature of goods or knowledge of the industry. Specialized Auditors i.e. auditors having knowledge / expertise of the industry are considered to the extent possible so as to achieve efficient and effective stock audit mechanism.

Outsourcing of Stock Auditors:

Stock Auditors are appointed taking into the consideration of the firm's constitution, experience etc. Some of the stock / goods may be graded depending on the composition, durability and other technical specifications which cannot be assessed by layman. Chartered Engineer who is technically / professionally qualified, may be engaged by Stock Auditors with prior permission

Periodicity of Stock Audit Stock

Audit should be conducted for the eligible borrowal accounts once or twice in a year. It should be ensured that there is no omission either in the eligible accounts or in the area of coverage.

It is the responsibility of Credit Audit & Monitoring Department to review the Stock Auditors who are in the Bank panel every year by placing a review note to Managing Director & Chief Executive Officer.

Reporting System & Submission of Final Certificate: The Stock Auditor should verify the borrower's unit/ godown as to their position on Stock / Book Debts and submit the report immediately in triplicate (3 copies) two copies to Credit Audit & Monitoring Department, one copy to the respective Regional Office through the Branch and one copy to the branch.

The Final Certificate should be submitted by the branches within prescribed limit say one month from the date of receipt of the stock audit report by the concerned branch. The concerned Regional Office should verify the full compliance and obtain Final Certificate from the respective Branches and submit the same to Credit Audit & Monitoring Department. The entire process till the getting Final Certificate from the respective Regional Office is being monitored at the Credit Audit & Monitoring Department

Current Scenario

The COVID-19 outbreak is also expected to create a number of potential challenges for auditors to attend inventory counts. Stock Auditors are considering to address some of the changes for physical verification of inventory by the use of technology or virtual observations through mediums like live videos wherever possible. New technology, such as drones or remotely controlled robotics, might help with your inventory testing in some cases, with the current crisis arising out of the pandemic, especially in view of social distancing; the IBA has sought the relaxation that would allow both the banks and statutory auditors to complete the annual closing exercise without too much disruption.

CFO Speaks

CMA Mohan Tanksale

Ex-Chairman, Central Bank of India

Mr. Mohan Tanksale is a career banker with over 4 decades in the Indian banking industry and has led three major Indian Public Sector banks in this span. During his illustrious career, Mr. Tanksale has spent time and contributed in every area of banking. He retired as Chairman from one of the top 10 banks in India, Central Bank of India, in 2013. Given his wealth of experience, he was immediately roped in as the Chief Executive of the Indian Banks Association (IBA), during which he successfully represented the entire banking industry for the period December 2013 to August 2016.

Mr. Tanksale is presently engaged as an Advisor to SWIFT India (SWIFT India Domestic Services Private Limited, majority owned subsidiary of Society of Worldwide Interbank Financial Telecommunication, Belgium) providing support to adoption of high quality financial messaging services in India and giving insights on developing market opportunities.

Mr. Tanksale has been conferred with several prestigious awards and recognitions. The HR initiatives under his leadership at Central Bank of India, resulted into the Bank winning the Golden Peacock HR excellence Award 2012. He has been lauded as a thorough HR practitioner with excellent employee motivation and engagement skills, and has been chairperson of the IBA Standing Committee on HR during 2012-13. Mr. Tanksale was awarded Person of the Year for his contribution to Financial Inclusion by SKOCH Foundation. Mr. Tanksale is also a proud recipient of the Golden Peacock Lifetime Achievement Award.

Mr. Tanksale holds a Bachelor's degree in Science, Master's degree in English Literature and is a Fellow Member of Management Accountants of India (FCMA); has completed professional course of Company Secretary (Inter) from the Institute of Company Secretaries of India and is a Certified Associate of the Indian Institute of Banking and Finance (CAIIB). He has a keen interest in learning various languages, which led him to achieving Diploma in Russian language.

1. **What was the reason of pursuing CMA when you already had a secured job in the bank?**

   I graduated in Science, did my post-Graduation in English literature & did CAIIB. After serving in Rural branches, I was posted as General Manager of Rewa Sidhi Gramin Bank (RSGB). It was a challenging leadership opportunity as a second in command and I had to manage performance of 70-80 branches.

   After moving to Bhopal in 1986 with Union Bank of India, I felt a need to augment my skill set with a professional qualification that will help me deal with large corporates, institutions and make me a better banker. Post due consideration, I joined CMA in 1988 and completed it in 1990. The course improved my understanding and boosted my confidence while dealing with project lending, credit monitoring of Industries and trade credit finance.

   Instead of merely looking at numbers while approving credit, I was able to now judge rationale behind the numbers and understand the dynamics of organization, industry and specific projects. Instead of considering my bank as mere lender, I put myself as a 75% partner who not only disbursed money but also monitored performance and suggested course correction from any deviations.

   The base from ICWA course, allowed to me to progressively take up bigger roles over 22 years ultimately helping to become Chairman.

   It's this base that gave me confidence to recommend Institute of Cost and Management Accountant as an Independent evaluation committee member under aegis of the RBI for resolution of Stressed Assets - a first for the institute and professionals to go beyond its usual mandate.

2. **What are the opportunities in Banking Sector for a CMAs?**

   Opportunities for CMAs are multi fold, right from cost audit and management to credit risk & feasibility analysis to enterprise risk to sustainability.

   Cost audit and management: In the current environment, strategic cost management is an imperative. In order to survive all types of banks - right from Public Sector Banks to Private Sector Banks to Foreign Banks to Small Finance Banks to Cooperative Banks - need to focus on costs. CMAs can add substantial value in analysing the cost structure of each product, their effect on P&L and ensure delivery of product in a competitive manner.

   Credit risk and feasibility analysis: CMA should create their competences in Project Consultancy, Techno Economic Viability Study, support credit monitoring, empanel as MSME consultancy apart from Cost Audit and Stock Audit. For this, CMAs should understand the complete lifecycle of a Credit Borrower.

   Another area is **Enterprise Risk Management Consultancy** where, as an enterprise, you have to understand risk appetite, foreseeable risk and risk mitigants. Risk based Internal audit could be another opportunity. Going forward, banks are likely to outsource these as against invest in the employment of people. Another area is IBC & IP where CMA can really develop expertise.

   Finally, **sustainability practice** will provide future growth opportunities. It is directly related to the Global

Sustainable Goals that India is committed to. CMAs can help comply sustainable development goals that has an ESG impact (Environment, Social and the Governance).

I have touched upon majority of the above points in the Webinar conducted by the Institute on March 9th on "Role of CMAs in Banking & Insurance" which was attended by more than 500 participants.

3. Whether the Govt.'s drive to consolidate Nationalised Banks will help?

The core objective of the consolidation is capital optimisation which will ultimately result in having capital for growth and a sound banking system.

The second objective is size. Globally, it's said that instead of too big to fail, too small to fail applies. For if small is efficient it will not fail and too big to fail does not really hold true. What helps you in "too big" is that you can be a player with the bigger opportunity. This will be certainly useful if India emerges as manufacturing hub as an alternative to China. At that juncture, banks should have size to fund such projects. If they can, then the second objective of consolidation will get fulfilled.

In addition, consolidation will release resources, both, physical and human. We will see reduction of branches, rationalisation of overlapping administrative offices, regional offices, zonal offices etc. This will enable banks to sell own property and release capital for more productive use. The excess human resources can now build necessary relationships to help customers in bridging the digital and physical domain and choosing appropriate products across financial services.

That is really not happening and that is how none of the public sector banks are greatly successful in promoting all their products to all their dedicated customers. When you release the manpower and deploy them properly for the efficient purposes, definitely the objective of the bank to improve the productivity and profitability will be achieved. It further allows banks to raise capital at lower cost improving their capital adequacy much beyond the regulatory requirement.

While integration has sound basis, banks needs to be mindful of 3 challenges:

1. Technology integration - While merging banks are on same technology framework, the process at each bank is customized towards own product and process. Ensuring a common framework and product alignment across merged bank will take up to a year.
2. Cultural integration - Each of the merging bank had its distinct identity and culture. Banks will need concrete efforts and time for cultural integration. Fortunately, banks have a head start in terms of engaging its employee even before consolidation. Banks need to identify and define best practices among the consolidated banks, adopt those practices, give proper recognition to the skills of acquired bank.
3. Customers - Banks will need to build customer confidence such that existing relationships are transitioned to the new entity. Not only will banks need to provide comfort to the existing customer base that still relies on physical relationships but also attract and assimilate new customers who rely heavily on technology. Similarly, customers from rural areas will have different expectation. Overall, to take care of each customer is going to be a challenge.

4. Last few years, we have seen lot of changes in the banking operations like internet banking, what is your opinion about the further changes expected post COVID situation.

I have seen banking transformation right from zero computerisation till automated ledger posting machine and from there we moved to total automation to core banking where the entire bank was brought on one single platform. Having achieved that, we began multi-channel delivery more like ATM, net banking, mobile banking etc.

New Private Sector Bank, which started in 1994, had an advantage to inculcate technology from day 1. But we must salute the public sector banks for reaching 100% core banking in the late 2000 despite of zero technology at their hands and multiple legacy issues. They continue to improve processes within the organisation through digitalisation.

You are aware that SIDBI has recently started online platform for lending to MSME and I had an opportunity to get associated with it.

Similarly trade digitalisation is happening where the trade finance instruments like Letter of Credit, Bank Guarantee are also getting digitised and complete paper work will be moved to the digital platform.

We are also talking about the Neo Banks who are tech companies supporting the banks only to do platform-based lending. We are talking about the open banking which is new concept today very popular in Australia and various European countries where an independent aggregator is pulling the information from the bank, of course at the request of the customer and furnishing that information to the FinTech companies who want to serve the customer on the finance or insurance products and this is going to be gradually popular platform among the new generation customers of the banks.

With this rich heritage of innovations, I am confident that banks will step up to adopt to the new reality. Even customers are accelerating their adoption to digital. In fact, banks will develop as many products and processes possible which can serve the customer end to end digitally.

Nevertheless, as a banker I am of the opinion that you cannot totally do away with the physical interaction. That interaction will be necessary to make better decisions which would not be possible purely based on data and without physical interaction.

5. These changes have also resulted in the various challenges like Cyber Crimes. So what is the role of System Audit & whether technologically India is advanced enough to face these challenges.

Financial Institutions are working towards preventing the possibility of cyber-attacks, but as Microsoft and Google has also said that there is nobody who can say that they cannot be attacked. In fact, Bill Gates said that somebody knows that they are attacked, while others don't even realize it.

RBI has over a decade been following up on the efficiency of the technology to avoid the cyber-crime and has now taken next step by setting up a separate entity to study possible risks and mitigants. The cyber criminals target vulnerability in systems at user group or employee or a customer.

That said the most important part for me is how industry dynamically lifts itself by leveraging various new technologies to not just thwart cyber criminals but also to reduce frauds, black money, bogus paper activities, etc. This can be to great extent done using Block Chains or end to end digitisation of trade finance or use of Artificial Intelligence (AI) to identify unusual and exceptional transaction activities. So, while you cannot completely stop cyber-crime, you can certainly reduce vulnerability by strengthening your firewalls and by creating awareness, skilling, training, etc.

6. **On one hand RBI is reducing the repo & reverse repo rates but the businessmen may be reluctant to take these advances because of the uncertain future, so banks may face the problems. Whether any other measures will be required in support of this by the Government?**

Most important function of repo & reverse repo is to provide sufficient liquidity in the system in order to support the existing Corporate sector or MSME sector. Its estimated that additional 10% credit support will help industry manage these challenging times. This support will not only ensure survival but also protect employment and quality of bank assets. Thus, RBI's act of providing this liquidity, to NBFCs, Micro Finance Institution or corporate requirement or MSME requirement is absolutely timely and necessary.

Now second point is that while none of the new investments will happen immediately, corporates have to think over that what is going to be the scenario six months down the line. While keeping one eye on survival they need to start thinking about opportunities presented by shift of manufacturing base to India and areas where investments will be required to augment support infrastructure. In all likelihood, many of these investments will be funded by banks. Without that financing support its unlikely for any international company to consider a move to India.

And thus, I think that for future investments you have six months' time available wherein the banks, the corporates, the industry association, the CMA and Professional association should prepare themselves to work for those proposals which are going to be the potential sectors where the future investments should happen. If the organised efforts are undertaken towards identifying the future opportunity, businessmen will work for it. These opportunities will need medium to long term mindset and funding. Unless the Govt decides to invest substantially in the infrastructure, through the PPP model, or fiscal support, private sector alone would not be in a position to take the burden. Thus I feel that the fiscal support will have to come substantially and that is why every economist says that, this is not the time you should think of the fiscal deficit yet you should have medium to long term plan to keep fiscal deficit between 4 to 6 % and efforts should also be made to see how can it can brought it down to ideal 3 % in the given time.

7. **Because of certain wrong funding & resultant NPAs of many banks, the stakeholder's confidence about the banks has shaken. What do you feel banks should do for this or the measures already being taken & what is the role of Independent Director in this?**

Firstly, many challenges related to lending are due to mis-representation by companies or/and changes to macro environment. Independent Directors to great extent in corporate sector would have avoided the pressure to grow at any cost for the firms and avoided misrepresentation and aggressive projections. In addition, in many cases, we would have seen much more ethical behaviour along with harder looks at these projects and capital requirements over a period of time. While all these were expected, the reality is that majority of NPAs are from top 50 accounts. We need to ask, what was the role of independent directors in those cases? Could they have been more sceptical of the projects? Did they think of excess capacity within their industries while approving these projects at board meeting? Would they have asked different questions had they got professional help from CMAs?

Secondly, there have been situations where things were beyond control of companies. It could have been due to downturn or delays in approvals or other delays beyond control. Here it is critical to understand that all of us need to rally behind these projects and make them productive as it results in national wealth else it is a national loss.

As for bank boards, they would be strengthened by nominating the professionals as independent directors who are conversant with project lending. In addition, regular support will have to be provided to the board in form of discussions with various third-party consultants on changes in project finance landscape, business models and risks.

I will suggest that Institute of Cost Accountants of India should develop a training schedule of the Independent Directors of the corporate world as well as banking industry.

8. **Is there any index to measure the performance of banking operations? What is the overall position of Indian Banking operations & practices as compared to best practices being followed world-wide?**

The basic measure to assess the banking operations are on three parameters.

1) **Soundness** - When I say soundness, it means what is my capital adequacy, what are my core strengths to retain the strong capital, generate the strong capital, generate the capital at the least cost or efficient cost. This has got nothing to do with the size of the bank, it depends upon existing soundness

and perceived soundness of the bank. Now what is capital? Capital is accrued profit. I always say that I don't want to get capital from market, if I am able to generate internal capital, if my Return on Asset or Return on Capital is as per the benchmark. Thus, the first parameter is how sound is the organisation at present and how it is perceived to be sound going forward.

2) **Productivity** - Productivity is measurement of your market share, market share per employee per strategic business unit whether you call it a branch, region, zone, each area of operation, compared with Industry benchmark on productivity. Now the databases are available for benchmarking which will tell you these are the best, these are the lowest, this is the average. Now, for driving a productivity of a bank, I should be capable of retaining my existing market share in terms of productivity. I should maintain growth in line with the market growth. But if I want to increase my market share one point up, then I have to grow better than the market. Now what are the readiness of the bank in order to retain the market share and growing the market share going forward will be another benchmark to look at the bank. This is how the perceived valuation will get created on the basis of productivity.

3) **Profitability** - Measurement of profitability is all efficiency ratios, that is Return on Equity but, ROE is again the equity acquired during different phases of the time and thus may not be the exact parameter, but this is how the market looks at and performance is measured with reference to the minimum rate of Return on Equity. But Return on capital or Return on Asset is very important parameter. Now typically we all measure the bank from the return on asset and the best bank give as good as 1.8 to 2%. Today half of them are negative, but the best ROA is around 1.5+. Then you look at NIM (Net Interest Margin), NIM is a function of what is cost of resources that is deposits and what is your yield on the asset i.e. advances.

Profitability can be further augmented by controlling cost to income ratio of the bank. Income consists of Net Interest Income, Non-Interest Income and can be augmented through treasury management of bank's funding structure and trading book along with cross selling. For example, Non-Interest Income of all private sector bank is between 20 to 25%, while it ranges for public sector bank between 10 to 12%. It means with same resources and with same set of clients, public sector banks are losing that opportunity to generate the income. The second question is how does one reduce your operating cost by reassessing operations and exploring newer ways to reach out to clients in a cheaper way. And that is why I think cost to income ratio is very important parameter. And these are all global parameters on which the banks are measured.

In terms of global best practices, I will say that Indian banking is at par with the global market. We are all part of the Basel Institution, we all are conforming to the Banking Laws and are at par on technology. The only thing that we need to look at is new activities like the application of Block Chain Technology, Open Access Banking, Artificial intelligence and machine learning.

I was in ED Punjab National bank in 2009 to 2011 and that was time when global melt down had happened and Indian economy was progressive and resilient. In those days, our GDP used to be around 8 to 9% and Government wanted to boost it to double digits. In those days when I used to go for investors meet in New York, London, Singapore, Hongkong, PNB's ROA used to be 1.8%, NIM above 4%, Cost to Income Ration around 40% and thus meeting all the benchmarks. The Foreign Institutional Investor used to say that we have already invested 19.9% in Punjab National Bank, you have to only tell me that when the Govt of India is going to increase its limit from 20 to 30%. What I want to communicate through this is that if banking industry is consciously working on these 3 parameters and consciously ensuring that your numbers are as per the expected benchmark, I think you are doing a good job.

There is no separate index for Banking as such but in the ease of doing business, where India Rank in 2020 is 63 whereas ease of getting credit the ranking of India's ranking is 25. I am sure that with the measures that we have spoken, the ranking will definitely improve in future.

9. What are the challenges & opportunities to banking industry in the years to come?

On the challenges part, there are five points,

1) To boost the employee morale by removing the credit aversion from the minds of the employees. This should be done by the management. The Government will do their part but this drive should be done internally by boosting the morale of the Branch Managers sensitising about the opportunities.
2) Address the existing & expected stress on asset quality. What is important is to review each account carefully rather than using a generalised formula. The field personnel should have a detailed discussion on impact of COVID on each account.
3) Supporting those units who are not certain on their liquidity issues, collateral security etc. after doing a due diligence.
4) Banks should look for those Sectors which have a growth potential. Detailed strategic planning with the help of industry surveys to decide investment needs to be done.
5) Upgrading the technology to make available end to end digital solutions to the customers. Lastly, streamlining the consolidation efforts so that the maximum benefit can be derived from it.

On the opportunities side I have three points,

1) India is likely to be considered as potential manufacturing hub. So, one has to grab the opportunities.
2) Going digitally will help in reducing the costs.
3) There is an opportunity for employee's reorientation for higher productivity.

Overall, what I feel that the future for banking will be full of opportunities and challenges and CMAs can play a major role in this industry by supporting banks as well as to corporates.

Interview By CMA Amit Shahane (Member Editorial Board)

Impact of COVID 19 on Indian as well as Global Economy

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"You cannot start from normal again because you have lost so much"

Fitch solution has cut India's Economic Growth Rate Forecast to 1.8% for the financial year 2020-21. According to the rating agency, due to the coronavirus epidemic, personal consumption is projected to decrease and large scale earnings are reduced due to which the estimate of real GDP growth rate for the financial year 2020-21 has been reduced from 4.6 percent to 1.8 percent.

According IMF's Gita Gopinath warns global economy can lose $9 trillion due to coronavirus. Every country will have some organisation which tracks the economy of that specific country will look at their own economic growth but there is an overall organisation which looks not only at the country's economy but the over on global economy it is IMF (international monetary fund) sector which Impact of COVID-19.

Some of Sector wise impact to indian economy as well as globally as follow :

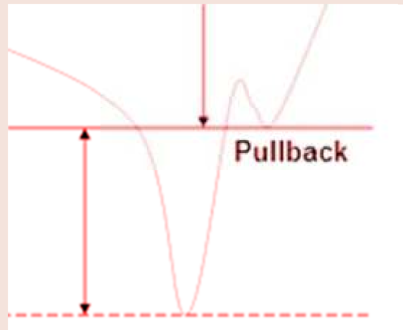
FMCG SECTOR

This sector significantly contributes fourth largest towards GDP in the economy.

the flow of FMCG or any other sector as following:

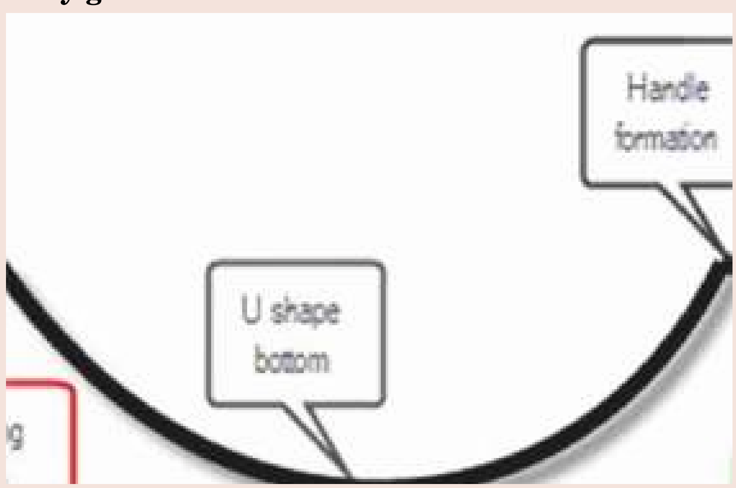
- **Raw material** Problem is that Majority of supply chain management right now is disrupted because there are a lot of c k post as well as free movement of goods in our country is not as free right now versus before the current situation. I personally feel that raw material procurement itself is a big challenge for the FMCG sector.
- **Production** is going to be very smooth right now because of the lower demand. factories might not themselves work at full capacity so let's say whatever is the current capacity they might be working at is 50% capacity or 60% capacity because of the overall economy position . production itself depends on demand for sales.
- **Sale** also dropped due to economic position under current situation.FMCG sector is not as badly hit as other sectors but here FMCG can be divided into two parts one can be essential goods and one can be luxury goods.
- **Realisation of money** Under the current scenario do you think that customers are going to be paid on time or debtors are the realise on time !
- **what will be going to emerge under FMCG sector after this pandemic ?**

Essential goods :



Under Essential goods phase at which the demand/sales/ liquidity falls the phase at recovery also going to be the same.

Lury goods :



"U" shaped recovery is after fall recovery is a little bit sluggish getting back after a small period from at the bottom of the line. one thing gets back to normal then starts putting up at a higher rate.

Pharma sector

A recent KPMG report states that the country's pharma exports add up to $13.7 billion (while imports stand at $1.99 billion) and it meets 50% of the global demand for generic drugs. The problem is we import an estimated 70% of active pharmaceutical ingredients (APIS) from China. Understandably, the COVID-19 crisis and the consequent lockdown served a gut-punch to the industry. There have been freight shutdowns, non-availability of labour, and a spike in cost of a few imported raw materials.

Focusing inwards is going to be on every country's agenda and India needs to figure out a way to become globally competitive. That's where I believe that India's biomedical industry has a lot of potential because not every country can be self reliant and export biomedical products. We have a mature pharmaceutical industry due to our generics and are also developing strengths in biopharmaceuticals with companies such as ours. We have seen during this crisis that we are strong in terms of equipment manufacturing. India also has capabilities in diagnostics because of the ability to quickly assemble kits. So, the focus should be on expanding and scaling the manufacturing of these sectors in a self sufficient way. Similarly, with vaccines, there should be more focus on innovation. There are a lot of opportunities in the biopharma and biomedical segments.

- **what is going to emerge post this pandemic?**

It all depends on how long the world will take to recover from COVID-19. Organisations such as the IMF have already declared a global recession. In India, we. could lose 30-40 million jobs by the end of the year if we are un- able to bring the economy back on track. The world economy, which was estimated at $90 tril- lion, was already under a $260 trillion debt burden, and it will get worse. Many believe it will take at least another year to see anything close to normalcy. I think we need to look at the geopolitical dynamics and see how the world is going to shape up after COVID-19.

Crude oil sector

Due to the continued lockdown in the entire world due to Corona, the demand for crude oil has fallen completely, due to which the price of crude oil is at a lower level for many years. Due to declining oil price and demand, the financial condition of oil producing countries is deteriorating, due to which Gulf countries have to sell their bonds. Saudi Arabia, which holds important status in OPEC, collected $7 billion through bond sales last week.

Airline sector

Airlines are in poor condition due to continued lockdown due to Corona. All the airlines have been closed since March 25, due to which the airline's earnings are completely closed, but there are many types of Charges like Salary, Maintenance.

The burden on companies has increased so much that airlines have decided to cut salaries.According to SpiceJet, in April, Employees will get the same salary as the number of days they have worked.

Aviation regulator DGCA has given instructions to aviation companies not to book travel tickets after May 3, due to which the shares of these companies have fallen.

Apparel industry

India's Apparel Industry has been greatly affected by the lockdown in most countries of the world due to the coronavirus.

Indian Apparel Industry, which has a strong hold in global apparel exports, is going through the events of not taking order cancellation and consignment delivery at this time, it is estimated that the exporters here will be losing about $ 4 billion. With this, there has been a lockdown in the country, due to which production is also stopped here. Not only this, global buyers have not yet sent payment for goods sent to them months ago.

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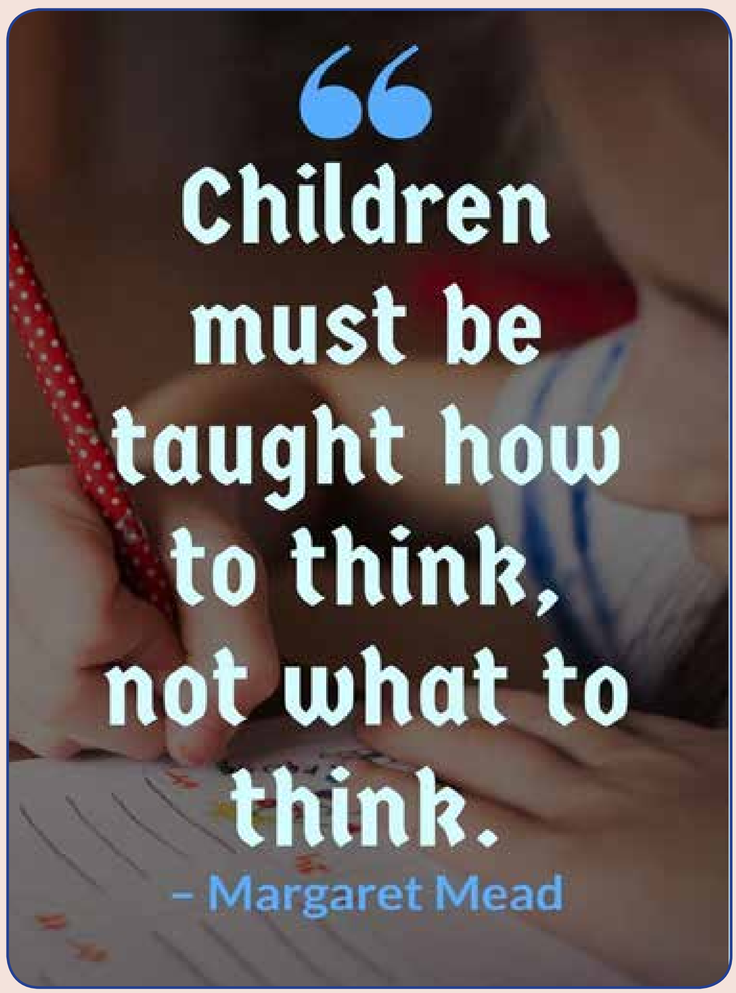

Economic Impact of Covid-19 on India

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COVID-19 pandemic is a global humanitarian challenge the world has faced since World War II. The number of cases is rising daily though the government of India has moved quickly in implementing a proactive nationwide lockdown. The economic impact of the 2019-20 coronavirus pandemic in India has been hugely disruptive. World Bank and credit rating agencies have downgraded India's growth for fiscal year 2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s.

Along with an unprecedented human toll, COVID-19 has triggered a deep economic crisis. The global economic impact could be broader than any that has been since the Great Depression. Leading Indian economists have said that India should prepare for a negative growth rate in FY21 and that the country would need a ?70 lakh crore (US$980 billion) stimulus to overcome the contraction. However, the International Monetary Fund projection for India for the Financial Year 2021-22 of 1.9% GDP growth is the highest among G-20 nations. Within a month, unemployment rose from 6.7% on 15 March to 26% on 19 April. During the lockdown, an estimated 140 million people have lost employment. More than 45% of households across the nation have reported an income drop as compared to the previous year.

According to McKinsey's scenario-based analysis, "the lockdown would continue in roughly its current form until mid-May 2020, followed by a very gradual restarting of supply chains. This could put 32 million livelihoods at risk and swell NPLs by seven percentage points. The cost of stabilizing and protecting households, companies, and lenders could exceed 10 lakh crore Indian rupees (exceeding $130 billion), or more than 5 percent of GDP."

Given the uncertainty about the virus and how it will continue to develop, quantifying its economic impact is far from easy. Economists all over the world are struggling to make an assessment. Nevertheless, everyone is forced to make a call on the quantitative impact, as this needs to be taken into account in the forecasts. The Indian economy is expected to lose over Rs. 32,000 crore (US$4.5 billion) every day during a complete lockdown. Up to 53% of businesses in the country will be significantly affected. Supply chains have been put under stress with the lockdown restrictions in place; initially there was a lack of clarity in streamlining what is an essential and what is not. Those in the informal sectors and daily wage groups are the most at risk. A large number of farmers around the country who grow perishables are also facing uncertainty. Various businesses are laying off employees.

The Government of India has announced a variety of measures to tackle the situation, from food security and extra funds for healthcare to sector related incentives and tax deadline extensions. On 26th March 2020, a number of economic relief measures for the poor were announced totalling over ?170,000 crore (US$24 billion). On 27th March 2020, the Reserve Bank of India also announced a number of measures which would make available ?374,000 crore (US$52 billion) to the country's financial system. On 29th March 2020, the government allowed the movement of all essential as well as non-essential goods during the lockdown. On 3rd April 2020, the central government released more funds to the states for tackling the coronavirus totalling to Rs. 28,379 crore (US$4.0 billion). The World Bank and Asian Development Bank have approved support to India to tackle the coronavirus pandemic. On 17th April 2020, the RBI Governor announced more measures to counter the economic impact of the pandemic including ?50,000 crore (US$7.0 billion) special finance to NABARD, SIDBI, and NHB. On 18th April 2020, to protect Indian companies during the pandemic, the government changed India's foreign direct investment policy.

The Prime Minister of India extended the lockdown up to 17th May 2020. A new set of guidelines for the calibrated opening of the economy and relaxation of the lockdown have also been put in place which have taken effect from May 4th, 2020 on the basis of classification of geographical zones.

The Press Information Bureau brought out a fact check that stories about a financial emergency being imposed in India are fake. A financial emergency has never been imposed in the history of India as yet.

State governments have incurred huge loses to the extent of having to cut capital expenses, government plans in the near future and finding alternate ways to pay salaries. The Delhi government has fallen 90% short in tax collection as compared to 2019 and is planning to take loans and raise taxes in certain sectors. Maharashtra has put a hold on all new capital works till March next year and spending under government development schemes has been reduced by 67% for the current fiscal.

All said and done, as the Pandemic is beyond the reach of any mathematical models, there is an urgent need to take instant steps to not only contain the spread of the virus, but also to address the pain areas of the industry which can help in minimising the impact of the outbreak on the Indian economy and businesses. The Indian Government & RBI need to support the Indian industry and economy at this juncture in different ways and means including pump priming.

Equity Investing during Pandemic times

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Fear is more contagious than the disease.

Carona Virus has disrupted life and financial markets globally. There has been unprecedented lockdowns in almost all countries including India. Not only is the world worried about spread and survival but also depth and duration of economic impact it can create.

In such an uncertain fearful environment, it is imperative to reflect likely probable scenarios of this pandemic in navigating this turmoil.

With all humility, we acknowledge not knowing when this epidemic or lock-downs will end completely. However, what is required is a sense of discipline & patience in equity investing and doing the opposite of human emotions.

Likely scenarios -

a) Control of Corona spread and gradual lifting of lockdowns.

b) Spread and control taking longer than expected with extended lockdowns.

c) Vaccine and Cure

Control of Corona and gradual lifting of lock-downs within 1-2 months – This is a base case assumption given that globally we have seen countries like China, Korea, Japan, Hongkong, Singapore doing well to fight the crisis. Few others like Europe and US has seen the worst of spread in recent times though some reflection of bending the spread curve is noted. India has rightly adopted cautionary lockdowns given adverse ratio of medical infrastructure to population density. Gradual lifting of lock-down is being adopted in non-containment zones with restricted openings in most affected areas or red zones. In this scenario, the economic and business impact though deep, will be limited to about couple of quarters with gradual pick up in 2Hfy21.

Spread and control taking longer than expected with extended lockdowns – This is low probable scenario currently based on greater awareness of caution being adopted globally with social distancing. If we do not witness bending of spread curve and consequent lifting of lock-downs (though partial) over the next two months, the risk on economy will assume greater proportions in India along with recession scare in few developed large nations.

Vaccine and cure – This is a high probable but medium term event. Over 40 companies are approved for developing vaccines though clinical trial and development would take time. Some trial of existing medicine (like anti-malarial HCQ) is on trial though mass adoption and its effectiveness is awaited. Cure or Vaccine is an eventual outcome however, what matters is the "interim" survival of health, business and financial markets.

Global stimulus to aid and fight economic downfall

What comes to aid is massive and coordinated monetary and fiscal stimulus of close to $5 trillion announced by global central bankers in addition to lower interest rates. In our experience, such money always inflate all asset prices. India will have to provide more economic and financial stimulus to support business and people (specifically at lower strata of society), in addition to Rs 1.7 trillion relief package announced so far. Fall in oil prices is welcome in such a critical time and is substantial for an importing country like India to provide additional fiscal stimulus. We also wish for corporate and capital market stimulus like NIL tax on capital gains besides relaxation on dividend and buy-back taxes in such trying times. Even otherwise, we have seen many promoters enhancing their respective stake in companies to take advantage of low valuations or releasing pledge to avert losing control at the hands of lenders. This invokes confidence.

What has market discounted?

Equity market broadly had more than adequately corrected given sharp and violent declines of 30-50% to this 'one-off' event, before a brief rally over the last few days. The decline has been wide-spread without any major discrimination to large or mid-caps, quality or mediocre businesses. In the near term, bending of spread curve is likely to create relief rallies – a relationship of inverse correlation between spread curve and markets. If more probable scenarios of a) or c) mentioned above do play out, then such a 'myopic' reaction by markets is an opportunity for long term investors with much higher margin of safety than before. After all, value of many a business is far higher based on discounted cash flows it can generate over its life compared to irrational quoted price driven by pessimism and fear. Only in case of a low probable scenario like b) mentioned above, will relief rallies of markets be short lived with possible retest of previous lows.

Investment Strategy

There should be undiluted quest to invest in quality businesses with cash flow & capital efficient characteristics along-with predictable growth and low leverage companies to build a long term equity portfolio. This eliminates greater degree of existential or survival threat of invested companies in such times of turmoil. Barring company-specific exceptions, different businesses or sectors have different general characteristics as under -

Sector-wise or Business Character

Business/Themes	Cash flows	Debt	Roce	Impact*	Margin of safety #
Pharmaceuticals	High	Zero/low	High	low/Positive	Medium
Agriculture (seeds/pesticides/tractors)	High	Zero/low	High	Low	High
Consumer	High	Zero/Reasonable	High	Medium	Medium/High
Specialty Chemicals (end use pharma/agri)	High	Zero/low	High	Low	High
E-commerce/online business	High	Zero/low	High	low/positive	Medium
Capital Goods	High	Zero/low	High	Negative	High
Infrastructure	Low	Zero/Reasonable	Medium	Negative	High
Metals	High	Zero/low	Cyclical	Negative	High
Financials	Low	High	Medium	Negative	High
Autos (Cars/2 wheeler/Trucks)/Aviation	High	Low	Medium	Negative	High

* Impact during lockdown period though temporary

based on valuations & perceived business risk post correction

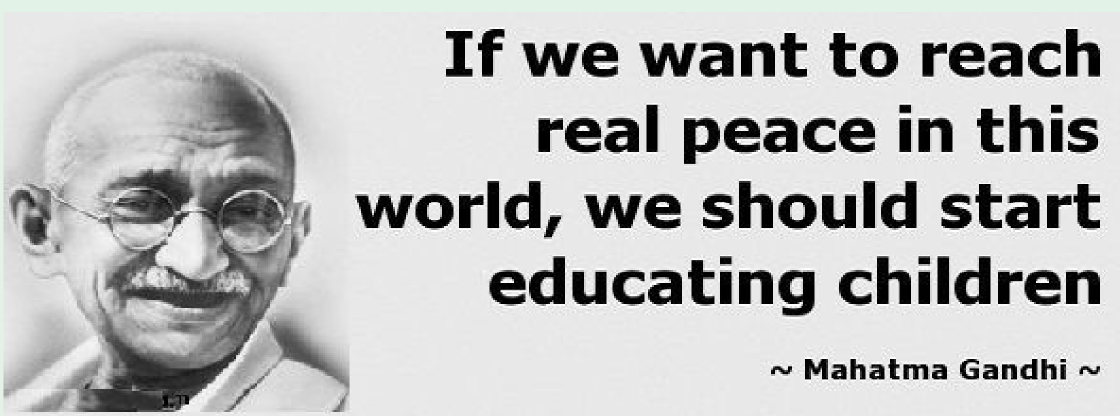
At this stage, relative preference should be in healthcare or pharmaceuticals, agriculture, related chemicals, non-discretionary consumer that have limited earnings impact due to lockdown. E-commerce & digital platform oriented businesses is another area that can be preferred due to scalable, asset-light & unique business model with entry barriers.

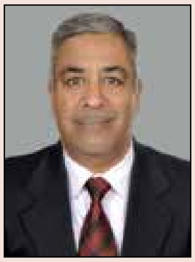
Currently, favorable value exists across several sectors. Many solid free cash flow generating, net cash companies with high ROCE are available at record low valuations. It is not about large or mid/small companies but about quality of the business model for superior and consistent returns. Investors should recognize myth of large caps being safe when several large companies in banking, telecom, real estate or metals have failed to survive or delivered poor returns in the not too distant past. As a strategy, emphasis should continue to be on cash flows, capital efficient growth oriented business. One should not be averse to participating in business that offers deep or distress values, provided respective Balance Sheet strength of companies is not compromised. For example, financial sector like Banking or NBFCs is most vulnerable in terms of their lending book/cash flows/collections. However, post sharp correction across financials, it offers deep value and highest margin of safety (selectively), provided there is access to capital and quality of book is secured.

What Should Investors do?

Fear, an emotion without facts or rationality is ruling financial markets. It is pure fear that drives people to ignore bargains when they are available in stock markets. Timing market bottoms is a futile exercise as no one can catch it precisely. Time is the best healer. Few years from now we will look at this time as a great buying opportunity. We don't know if this panic will get worse, but can claim with certainty that this too shall pass and end like many other previous crisis. In such times, it is important to remember timeless principle by Sir John Templeton, "The point of maximum pessimism is the best time to buy" or the classic Warren Buffett quote "Be fearful when others are greedy and be greedy when others are fearful".

Stay Safe. Keep Investing.





Role of Women in fostering Green economy

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"Women have a vital role in environmental management and development. Their full participation is therefore essential to achieve sustainable development" (Principle 20, Rio Declaration)

The perspective

Gender equality and environmental sustainability are two sides of the same coin - both women and the environment are undervalued in our global systems and economies. And both are essential if we are to see transitions to inclusive and sustainable economies. Greener economies holds great potential to reduce gender inequalities and increase women's economic participation. It offers the opportunity to make women's contributions to society and the economy visible as well as to revalue them.

What is a green economy ?

Sustainable development has been at the forefront of development agendas all over the world. And with current challenges such as climate change, one of the major strategies in place for this form of development to be achieved is through the concept of facilitating a green economy. A green economy is one that improves human well-being and social equity, while significantly reducing environmental risks and ecological scarcities.

In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive. Green economy, understood either as a goal or a structural adjustment process to greener industrialization, agriculture, services sector and scientific and technological development, must not be seen as an end in itself, but as a pathway toward achieving the goals of sustainable development and poverty eradication.

Transitioning to a green economy to achieve sustainable development is a tall order that requires consistent cooperation of every segment of society. As the complex but interconnected issues of social inequality, environmental degradation, and economic instability remain a major threat to progress and quality living, each and everyone has a role to play to fast-track the green economy movement worldwide.

What has gender got to do with nature?

Gender inequality is not just a moral issue. It's an economic and environmental one. The surge in activism for women's rights - #MeToo, #TimesUp and #StillMarching – send a strong global message: women have had enough. Fuelling the powerful sentiments driving these campaigns, there is now compelling evidence to show that reducing the gap between genders is essential for tackling humanity's greatest challenge: to develop fair economies within our ecological limits.

Women remain to be the majority of the population to be adversely affected by climate change and environmental degradation. Women constitute approximately 70 per cent of the 1.3 billion people living on less than US$1 a day, and they tend to be more dependent on In the same way that the natural capital which underpins our economies is too often treated as an economic externality, so too is the unpaid work carried out by the majority of the world's women on a daily basis. Yet unpaid care and domestic work makes a very real contribution to our economies. At the same time, women own between 10 and 20% of the world's land yet produce the majority of the global food supply. Women consistently earn less and fewer women occupy corporate executive positions. Worldwide, the majority of women work in informal markets, mainly concentrated in the lowest-paid and least secure forms of work. And women carry out between two and ten times as much unpaid care work as men. The global value of this work each year is estimated at $10 trillion – one-eighth of global GDP.

Women and Green economy

There is a dual rationale for promoting gender equality. Firstly, that equality between women and men - equal rights, opportunities and responsibilities – is a matter of human rights and social justice. And secondly, that greater equality between women and men is also a precondition for (and effective indicator of) sustainable people-centred development. The perceptions, interests, needs and priorities of both women and men must be taken into consideration not only as a matter of social justice but because they are necessary to enrich development processes" women are critical to global green economy movement.

Women remain to be the majority of the population to be adversely affected by climate change and environmental degradation. Women constitute approximately 70 per cent of the 1.3 billion people living on less than US$1 a day, and they tend to be more dependent on In the same way that the natural capital which underpins our economies is too often treated as an economic externality, so too is the unpaid work carried out by the majority of the world's women on a daily basis. Yet unpaid care and domestic work makes a very real contribution to our economies. At the same time, women own between 10 and 20% of the world's land yet produce the majority of the global food supply. Women consistently earn less and fewer women occupy corporate executive positions. Worldwide, the majority of women work in informal markets, mainly concentrated in the lowest-paid and least secure forms of work. And women carry out between two and ten times as much unpaid care work as men. The global value of this work each year is estimated at $10 trillion – one-eighth of global GDP.

Gender equality is good for the environment. Women tend to have smaller ecological footprints than men and engage in more sustainable behaviors. Women and men approach environmental issues differently, and have different levels of use, access to and control of environmental resources. In many parts of the world women's extensive experience also makes them an invaluable source of knowledge and expertise on more sustainable environmental management. Women around the world are powerful agents of change and can play a vital role in the greening of economies. Women are key managers of natural resources and powerful agents of change. Not just victims, women have been and can be central actors in pathways to sustainability and green transformation.

Women are a core player in this all-encompassing crusade to build a sustainable future for all. As active contributors to the economy and society as a whole, women are crucial to ensuring the growth of a green economy. Women have innate leadership skills and sound judgment to make them effective leaders. They're key partners in the green economic transition. They have a way of seeing things comprehensively, bringing a mentoring approach to management and treatment of issues, including social considerations and implications. Their unique leadership and skills, non-traditional approach to a myriad of issues, and great influence within families — the core of any society — are vital to pushing common green economy goals; increasing demand for green products and services; and significantly reducing greenhouse gas emissions, among others. They can help push those in power to prioritize climate change and take immediate, long-lasting action addressing this threat. In the absence of appropriate social policies, the green economy may exacerbate existing gender inequities to the detriment of overall sustainability.

Opportunities of green economy for gender equality

Actions are needed to address the issues that currently impede women from economic participation such as barriers to education, lack of time, limited access to productive inputs, lack of land rights, access to finance etc. Since women are over-represented in the informal sector this should also be considered when assessing the potential for women's participation in greening, particularly in relation to improving working conditions to ensure green jobs are decent jobs.

While there are concerns that the emerging jobs in key green sectors tend to be male-dominated and highly skilled, there is also the opportunity to recognize this and support both women and men to learn new skills for green jobs. Sectors such as agriculture, forestry and energy will also be a major focus of the transition to green economy. Given their high participation in these sectors, women could use their knowledge of and dependency on natural resources to access green and decent job opportunities. In many developing countries, though often unrecognized and undervalued, women as farmers, forest stewards, natural resource managers and entrepreneurs already engage in green economic activities.

Women's economic empowerment affects patterns of household spending and is likely to increase demand for sustainable services and products. This trend could lead to significant impact on green growth. But women are also workers and producers and the potential of their participation in a "green labour force should not be underestimated. Currently at least 80 percent of global green jobs are expected to be in the secondary sectors, such as construction, manufacturing and energy production — industries where women are currently under-represented. For example, women account for 9 percent of the workforce in construction, 12 percent in engineering, 15 percent in financial and business services, and 24 percent in manufacturing — all sectors critical to building a green economy. To fill this shortage, training is needed. While this entails a cost; the benefits are many. On the production end, women trained in research and development for environmentally friendly products can contribute to designs that have both women and men in mind, enhancing the marketability and use of such products.

With increasing demand for professionals trained in green sectors and sustainable business practices, women provide an untapped resource for green growth. Therefore, targeted public support can ensure that girls and women have equal opportunities in education and training, leading to a stronger role in research and development on environmentally sound technologies. Businesses have a key role to play in advancing these complementary objectives — gender equality in the workplace, marketplace and community, as well as climate-smart and environmentally sound practices.

The 'greening' of economies may also require the introduction of policy frameworks that promote sustainable patterns of consumption and production, public finance, and capacity development of local communities. Green policy instruments for moving along a sustainable growth path may require setting-up of specific incentive measures for both producers and consumers. This may involve subsidizing sustainable methods of production and taxing harmful practices, and require ecological tax reforms that promote a shift of the tax base away from 'good factors' of production (e.g. labour) to 'bad factors' (e.g. pollution), therewith boosting employment for both women and men while correcting environmental externalities.

The Women's Empowerment Principles (WEPs) — a joint initiative of UN Women and the UN Global Compact — are a set of seven principles that offer a clear, coherent and attainable vision of the contribution that business can make to advance gender equality in lock-step with sustainable economic growth. The result can mean good business for women, the environment, and the marketplace. More broadly, an enabling environment must be created. Legal measures must be put in place to protect women's full and equal rights to land, property and inheritance. Gender-responsive budgeting in Ministries in charge of water, energy and agriculture is another tool to eliminate inequalities in access to basic services that simultaneously maximizes the effectiveness of development policies and contributes to the achievement of more equitable development outcomes.

Green economy, understood either as a goal or a structural adjustment process to greener industrialization, agriculture, services sector and scientific and technological development, must not be seen as an end in itself, but as a pathway toward achieving the goals of sustainable development and poverty eradication. In this context, it is clear that women's participation in inclusive, sustainable and green growth can propel the growth of a green economy. Women are consumers, they are also workers and producers, and in this context they play a crucial role in benefiting the growth of a green economy and in reaping the benefits from it.

Conclusion

It has often been said that the green economy brings together the economic and environmental pillar of sustainable development. Women's participation in the green economy makes an important link to the social pillar. Their contributions are therefore not only central to sustainable development in its three dimensions, but also a key aspect of the integration of the three pillars - environmental, economic and social. Now is the time to make sure that the right policies and actions are in place to make this a reality.

■

GST- Concessions Granted Consequent to COVID-19 Outbreak

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The worldwide outbreak of the Corona Virus pandemic has forced the Government to announce unprecedented measures to contain the spread of the dreaded disease. Countrywide lockdown had to be imposed. The lockdown has chain reaction of slowdowns all round. The GST Council, which steers the implementation of this major reform in Indian indirect taxation, has from time to time shown sensitivity to the problems and difficulties faced by the taxpayer. The slowdown resulting from the sudden imposition of the lockdown has, as expected, led to financial crunch and administrative difficulties for taxpayers. There was urgent need to provide relief measures to the stressed-out taxpayer community. The Government has on 3rd of April 2020 issued 7 Notifications announcing a series of concessions in the matter of compliances and tax payments by the taxpayers. All these 7 Notifications (Nos. 30/2020 to 36/2020-Central Tax) have come in a cluster. Here is an attempt to explain the implications of these Notifications to the taxpayers.

1.Notification No. 30/2020-Central Tax, dt. 3-4-2020

This Notification announces certain concessions to the taxpayers, as under :

i. Taxpayers, who avail of the option of payment of nominal tax (Composition Levy) under S. 10 of the Central Goods and Services Tax Act, 2017 (CGST Act) from the financial year 2020-21, are required file an intimation in Form GST CMP-02 prior to the commencement of the financial year. Thus, where a registered person has opted to pay Composition Levy from the financial year 2020-21, intimation in Form CMP-02 was due to be filed before April 1, 2020. Notification No. 30 has extended the due date for filing Form CMP-02 to 30th June 2020.

ii. A registered person, who has opted to pay Composition Levy is required to reverse ITC availed on stocks of inputs, work-in-process and finished goods held as at the end of the prior year. Such registered person is required to file a statement in respect of such reversal of ITC in Form ITC-03 within a period of 60 days from the commencement of the financial year from which Composition Levy is going to be availed. Thus the due date for filing Form ITC-03 where Composition Levy is going to be availed from the financial year 2020-21 would be June 9, 2020. Notification No. 30 has extended the time limit for filing Form ITC-03 until 31st July 2020.

iii. Rule 36(4), which was inserted vide Notification No. 49/2019 dt. 19-10-2019, restricts the ITC available in respect of supplier invoices which have not been uploaded by the concerned suppliers in their respective GSTR 1 Returns. A registered person can avail ITC in respect of such invoices only up to a value equal to 20% of the ITC available to such registered person out of all the other invoices in the particular month which have been duly uploaded by the respective suppliers in their GSTR 1 Returns. This provision, which restricts a registered person of his legitimate right to claim ITC, tends to be harsh. Notification No 30 /2020 provides that the restrictions of Rule 36(4) will be applied 'cumulatively' for the 7 months of February to August 2020. Thus, it seems the registered persons can avail of full ITC even if some of the invoices do not figure in their GSTR 2A in the GSTR 3B Returns for the interim period of February to August 2020. A cumulative calculation to be made for the GSTR 3B for the month of September 2020, when the cumulative calculation will be done to ascertain the invoices for the period February to September 2020 which do not figure in the GSTR 2A. The ITC in respect of such invoices will be restricted to 20% of the total ITC on invoices duly appearing in GSTR 2A during this period. This provision provides partial relief to the registered persons during the interim period, allowing the registered person additional time to follow up with the suppliers who have not uploaded their invoices. (Detailed clarification on the modus-operandi of this provision has not yet been issued by the Central Government.)

2. Notification No. 31/2020-Central Tax, dt. 3-4-2020

Interest @ 18% is payable if tax is not paid by a registered person by the due date. Notification 31/2020 provides for relief to the registered persons for delay in the payment of tax dues for the months of February March and April 2020. These provisions are as under :

i. For taxpayers having an aggregate turnover of more than rupees 5 crores in the preceding financial year :

 a. Nil interest for the first 15 days of delay;

 b. 9% p.a. interest for delay beyond 15 days.

 However, the above concessions will be available provided the taxpayer files the respective GSTR 3B Returns for the three months by 24th June 2020.

ii. For taxpayers having an aggregate turnover of more than rupees 1.5 crores and up to rupees five crores in the preceding financial year, there will be no interest payable for delay provided :

   a. GSTR 3B Returns for the months of February and March 2020 are filed by 29th June 2020;

   b. GSTR 3B Return for the months of April 2020 is filed by 30th June 2020.

iii. For taxpayers having an aggregate turnover of up to rupees 1.5 crores in the preceding financial year, there will be no interest payable for delayed payment of tax, provided :

   a. GSTR-3B Return for the month of February 2020 is furnished on or before 30th June 2020;

   b. GSTR-3B Return for the month of March 2020 is furnished on or before 3rd July 2020;

   c. GSTR-3B Return for the month of April 2020 is furnished on or before 6th July 2020;

These reliefs in interest for delayed payments is no doubt a welcome move by the Central Government.

However, it is to be noted that the concessions in the matter of interest for delayed payment of tax will not be available if the GSTR 3B Returns are not filed by the taxpayer by the dates prescribed in this Notification. In other words interest @18% p.a. will be payable for the entire period of delay if GSTR 3B Returns are not filed by the dates prescribed in this Notification.

3. Notification No. 32/2020-Central Tax, dt. 3-4-2020

Late fee is payable at the rate of 25 rupees for every day of delay in filing the GSTR 3B Return. Late fee payable in case it is a nil Return is 10 rupees for every day of delay.

Notification 32/2020 provides relief in the form of waiver of late fees for delay in filing GSTR 3B Returns for the months of February March and April 2020, as under

i. In the case of taxpayers having an aggregate turnover of more than rupees 5 crores in the preceding financial year, provided the GSTR 3BReturns are filed by 24th June 2020.

ii. In the case of taxpayers having an aggregate turnover of more than rupees 1.5 crores and up to rupees five crores in the preceding financial year, provided the GSTR 3B Returns are filed for the three months by the dates as under :-

   a. For the months February and March by 29th June 2020.

   b. For the month of April by 30th June 2020.

iii. In the case of taxpayers having an aggregate turnover of up to rupees 1.5 crores in the preceding financial year, provided the GSTR 3B Returns for the three months are filed by the due dates as under:-

   a. For the month of February by 30th June 2020.

   b. For the month of March by 3rd July 2020.

   c. For the month of April by 6th July 2020.

However, it is to be noted that there will be no waiver whatsoever of late fee if the GSTR 3B Returns are not filed by the taxpayer by the dates stipulated in this Notification.

4. Notification No. 33/2020-Central Tax, dt. 3-4-2020

There is a penalty prescribed for late filing of the Return in Form GSTR 1. The penalty is 25 rupees per day of delay. If there are no outward supplies and hence it is a nil Return, the penalty is ten rupees per day of delay. Notification 33/2020 waives penalty for delayed filing of the GSTR 1 Returns for the months of March, April and May 2020 and where a the registered person has opted for quarterly filing of GSTR 1 Return, the waiver of penalty for delayed filing of GSTR 1 has been granted for the quarter Jan-March 2020.

However, the waiver granted by this Notification will be available only if the respective GSTR 1 Returns are filed by the registered person by 30th June 2020. If any of these GSTR 1 Returns are not filed till 30th June 2020, penalty at the prescribed rate will be chargeable for the entire period of delay.

5. Notification No. 34/2020-Central Tax, dt. 3-4-2020

Registered persons opting for payment of Composition Tax in terms of S. 10 of the Act are required to file a statement in Form CMP-08 for each quarter within 18 days of the end of the quarter. CMP-08 is a statement of self-assessed Composition tax payable by the taxpayer on the supplies made during the quarter and tax paid. For the quarter ended March 2020 the quarterly CMP-08 statement was due to be filed by 18th April 2020. This Notification grants extension for filing statement in Form CMP-08 till 7th July 2020.

Further, such registered persons are required to file for every financial year a Return in Form GSTR-04 by the 30th April of the following year. Thus, the GSTR-04 Return for the year 2019-20 was 30th April 2020. This Notification grants extension for filing such GSTR 04 Return till 15th July 2020.

6. Notification No.35/2020-Central Tax, dt. 3-4-2020

One of the major steps announced by the Government to restrict spread of COVID 19 is announcement of nationwide lockdown. Under the CGST Acts the registered persons as well as the GST Administration are required to ensure that certain actions expected to be completed under the Act are completed within stipulated time limits/dates. On the side of the GST Administration such compliances could be in the nature of completion of any proceeding or passing of any order or issuance of any notice, intimation, notification, sanction or approval or such other action, etc. On the part of the taxpayers, such actions may include filing of any appeal, reply or application or furnishing of any report, document, return, statement or such other record, etc.

Thus, there are bound to be certain actions that are needed to be completed during the lockdown period. In respect of any such actions that fall due for compliance during the period 20th March to 29th June 2020, this Notification provides extension for complying with such statutory obligations till 30th June 2020.

However, it is to be noted that the extension granted under this Notification will not be available in respect of the following actions which fall due for compliance during the period 20th March to 29th June 2020. Such obligations, which do not qualify for the extended time limit for compliance granted by Notification 35/2020 include the following :

i. Rules regarding 'time of supply' of goods or services for determining the liability to pay tax;

ii. A Composition dealer exceeding the maximum limit of turnover and thereby becoming ineligible for availing Composition levy scheme.

iii. S. 25 of the CGST Act prescribes time limit for obtaining registration and other time limits. Such time limits, as provided under S. 25 will not be extended. Similarly, S. 27 prescribes time limits in the matter of dealing with casual taxable persons and non-resident taxable persons. Such time limits will not change.

iv. S. 31 of the CGST Act stipulates time limits for raising tax invoice by suppliers of goods or services. These time limits will not change.

v. It is to be noted that the official dates for filing the monthly GSTR 1, GSTR 3B and payment of taxes have not been extended by this Notification. However, as explained above, separate Notifications have been issued waiving/reducing interest for delayed payment of tax and waiving late fee for delayed filing of monthly/quarterly Returns.

vi. S. 69(2) of the CGST Act requires that where a person is arrested under the provisions of the Act, the officer making the arrest shall present such arrested person before a Magistrate within 24 hours. This obligation on the part of such officer does not change.

vii. S.90 of the Act provides that when a partner in a firm retires from the firm, such retiring partner or the firm should inform the Commissioner about the retirement of such partner within 30 days. Once due intimation of the retirement of the partner is given within 30 days, the liability of the retiring partner to pay any taxes remains limited up to the date of retirement. If the partner or the firm fail to give such intimation, the retiring partner would continue to be liable along with the other partners for discharging payment of tax even in repect of tax liabilities arising post his retirement. The obligation to inform does not change as a result of Notification 35/2020.

viii. S. 122 of the CGST Act stipulates penalties for certain offences under the Act. Any time limits related to operation of S.122 do not change.

ix. S. 129(6) provides that in the case of detention or seizure of goods, if the owner of the goods fails to pay tax and penalty on the seized goods within 7 days of such seizure or detention, further proceedings such as confiscation of goods, conveyance and levy of penalty are to be commenced. This time limit of 7 days does not change.

x. As explained above, the revised time schedules for submitting Return GSTR 3B Returns for the months of February, March and April 2020 have been prescribed by Notification 32/2020. However, concessions have been provided on interest payable for delayed payment of tax and late fee, subject to filing of the Returns by the stipulated dates.

xi. Where the validity of the e-way bill expires during the period 20th March to 15th April 2020, the validity period of such e-way bill shall be deemed to have been extended till the 30th day of April 2020.

7. Notification No. 36/2020-Central Tax, dt. 3-4-2020

This Notification allows extended time for filing GSTR 3B Returns for the month of May 2020. The extended dates are as under :-

i. In the case of taxpayers having aggregate turnover of more than rupees 5 crore rupees in the previous financial year, the GSTR 3B Return to be filed by 27th June 2020.

ii. In the case of taxpayers having aggregate turnover of up to rupees five crore in the previous financial year, whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep, the GSTR-3B Return to be filed by 12th July, 2020.

iii. In the case of taxpayers having aggregate turnover up to rupees five crore in the previous financial year, whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi, the GSTR-3B Return is to be filed by 14th July 2020.

MIS Report showing Individual Raw Material Cost as % of Total Raw Material Cost

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In any Company / Industry, usually Raw Material Cost dominates Product Cost Structure.

Profit is the difference between Sales Value and Cost of Sales

So to increase / improve Margin it becomes imperative to control/ monitor/ reduce Cost of Sales.

And as Raw Material Cost being Dominant Cost Component in Cost of Sales, it pays to Monitor / Control / Reduce Raw Material Cost.

This can be achived through MIS Report as mentioned in Annexure 1.

Focus should be on Major Raw Materials that may contribute 70 % to 80 % of Total Raw Material Cost.

To Reduce Per Unit Usage of Major Raw Materials :

1) Explore the possibility of using superior Raw Materials where decrease in usage will offset the higher procurement price paid
2) Maintain Plant and Machinery in Good Condition
3) The R & D department of the company can play very important role by suggesting improvement in production process / modification in production process which will result in achieving permanent reduction in usage of key raw material/ materials per mt of product. This will also nullify the effect of increase in raw material price.

To Reduce Procurement Prices of Major Raw Materials :

1) Avoid emergency purchase at higher rates

   This necessitates proper coordination among Purchase Department, Production Department and Marketing Department.
2) Requirements of 2 or more plants can be combined to negotiate quantity discount
3) Explore New Vendors
4) Explore the possibility to have own inhouse mfg of Major Raw Materials.

   With respect to key raw material/materials of a product, the requirement of which is very huge, management can explore the possibility of putting up its own plant to manufacture this key raw material by carrying out proper cost benefit analysis. This is also known as backward integration.

   This will also ensure regular supply of this key raw material at own manufactured cost (reduced cost).

Annexure 1 : Yearwise Trend of Individual Raw Material as % of Total Raw Material Cost of for Company / for Plant 1 / for Product 1

YEAR	2019-20(Rs Lacs)	%	2018-19(Rs Lacs)	%	2017-18(Rs Lacs)	%
PARTICULARS						
Sales Value						
Cost Of Sales						
Margin						
Cost of Sales as % of Sales Value						
Total Raw Materials Cost						
Raw Material Cost as % of Cost of Sales						
Break Up of Raw Material Cost						
Raw Material 1						
Raw Material 2						
Raw Material 3						
Raw Material 4						
Raw Material 5						
Raw Material 6						
Raw Material 7						
Raw Material 8						
Raw Material 9						
Raw Material 10						
Raw Material 11						
Raw Material 12						
Raw Material 13						
Raw Material 14						
Other Raw Materials						
TOTAL COST OF RAW MATERIALS						

CHAPTER NEWS

AHMEDABAD

Online coaching

Looking to the situation of lockdown due to COVID-19 Chapter has started online coaching of foundation, intermediate and final students from 7th April 2020 and arranged lectures all the seven days of the week without break of single day. Good Response has been received from the Students.

CEP through Webinar

Chapter had organized Series of Webinar.

- First webinar organized on “Emotional intelligence” on 23rd of April 2020. CMA P D Modh explained about Emotional Intelligence. 20 members have participated in Webinar.
- Second Webinar Organized on “Office Automation for Professional Firms” on 24th of April 2020. CMA Dakshesh Choksi-Chairman of P D Committee Welcomed Speaker.CA Parag Soni explained about how small and medium Professional firm can save time, Cost and energy by office automation.
- Third Webinar Organized on “Yoga Prana Vidya” on 25th of April 2020. CMA Dakshesh Choksi Welcomed Speaker Mr.Alok Vasavda. He explained how to increase Immunity System by yoga and Pranayam.

Pre-placement Orientation Program

Chapter organized Pre-placement Orientation Training Program for the fresh CMAs passed out of December19 exam from 12/03/2020 to 15/03/2020. 12 days Pre-placement orientation program was inaugurated by CMA Maulik Jasani, CFO, Harsha Engineering.

Celebration of International Women’s Day

Ladies wing of Ahmedabad Chapter celebrated International Women’s day on 8th March at Chapter office. Chief Guest of the program was Anjali Bothra.

BARODA

- On 7th March 2020 Chapter organized CEP on “Say YES to Good Health”.
- Chapter celebrated Women’s day in association with the Vadodara Branch of Company Secretaries of India and the Chartered Accountant of India. On the occasion Chapter in association with Vadodara Branch of CA and WICASA organized Women’s Cricket Match. There are 3 CMA team and 2 reached to Semi Final and One reached to Finals. CMA Amruta Vyas, CMA Dhaval Shah (Team Sponsors) & CMA Kiran Mishra and all others participated to make this event memorable.
- During the pandemic of COVID 19, when whole India fought against an unseen enemy from their home. The Chapter has bestowed their contribution, by keeping the members and the students engaged, through conducting the series of the webinars on the multiple subjects. The young & experienced speakers imparted their sound knowledge & technical experience. Total 17 Webinar Conducted.

PUNE

Participation of Students in Students Regional Convention 2020 at Aurangabad on 6th & 7th March 2020.

WIRC was organized Students Regional Convention 2020 at Aurangabad on 6th & 7th March 2020, more than 80 students were participated for the convention from Chapter.

On the occasion of students convention WIRC announced PPT Competition for students, from Pune Chapter Two nominations were sent for the said competition.

Final Students nominees group won 2nd prize in the competition, names of the winners are Ms. Aishwarya Mali & Ms.Yashaswi Mandhana.

All Participated students enjoyed the Convention. CMA Nagesh Bhagane, Treasurer & CMA Nilesh Kekan, PD Committee Chairman Pune Chapter & staff members took efforts for the success for participation of students in convention.

CEP on “Valuations Requirements under Companies Act 2013”.

Chapter organised CEP on “Demystifying Block chain” on 7th March 2020 at CMA Bhawan, Karve nagar. CMA Neha Dharurkar was speaker for the programme. CMA Smita Kulkarni-Secretary-ICAI-Pune Chapter welcomed & felicitated the speaker. Large number of members attended the programme.

On line coaching facility for Oral students.

On the lockdown situation in the country due to COVID-19, Chapter provided on line coaching to all Oral coaching students (Foundation, Intermediate & Final) from 4th April 2020.

All Office bearers & Committee members of the Pune Chapter involved in the success of such activity for the benefit of students. Response from the students is very good.

Webinars for Members.

On the lockdown situation in the country due to COVID-19, Chapter organized 6 webinars for the members through Zoom online video conferencing tool during the April 2020.

1st Webinar arranged on18th April 2020 on “Challenges and Opportunities to CMA’s in practice and Industry Post Corona out break” and Speakers for webinar were, CMA Dr. Sanjay Bhargave (Practicing Cost Accountant), CMA Amit Apte (Immediate Past President-ICAI), CMA Rajesh Shukla (Industry representative) & CMA Milind Date (Practicing Cost Accountant). ICAI Pune Chapter Chairperson CMA Sujata Budhkar welcomed all participants of 1st webinar arranged by chapter. CMA Rahul Chincholkar introduced all speakers. Very fruitful panel discussion given by speakers. More than 60 members participated in the Webinar. CMA Shrikant Ippalpalli expressed vote of thanks.

2nd Webinar arranged on 25th April 2020 on the subject "Analysis of recent notification issued under GST on Account of COVID 19" and the Speaker was CMA Rahul Chincholkar. CMA Abhay Deodhar, Vice Chairman welcomed to Speaker and participants more than 50 participants attended the session. Vote of thanks given by CMA N. K. Nimkar.

On 27th April 2020 webinar arranged on "Advisory on the Treatment of Various Items of Cost in light of the COVID19". Speaker for the session was CMA Neeraj D. Joshi (Practicing Cost Accountant, CCM, Chairman WIRC and Chairman CASB), CMA Rahul Chincholkar welcomed to all members & Speaker of the program. Very lucid lecture given by the speaker. More than 50 members attended the webinar. Concluding & vote of thanks delivered by CMA Dr. Sanjay Bhargave.

28th April 2020 webinar on "Compliance Relief under Companies Act, 2013 to companies Due to COVID-19" by CS Sushant Kulkarni (Practicing Company Secretary) CMA Rahul Chincholkar welcomed to members and introduced the speaker. CMA Amit Shahane expressed vote of thanks.

29th April 2020 webinar arranged on "Impact of COVID 19 and Strategies for Banking Sector - Role of CMA'CMA Dr. Shilpa Parkhi (Practicing Cost Accountant) was speaker. CMA Sujata Budhkar, Chairperson-Pune Chapter welcomed speaker and particpants. CMA Nagesh Bhagane, Treasurer-Pune Chapter introduced to speaker. Session on the subject banking is very useful for the participants on current situation. Vote of thanks given by CMA Nagesh Bhagane, Treasurer-Pune Chapter.

30th April 2020 webinar arranged on "Valuation of Shares and Regulatory requirements". Speaker for the session was CA Aalhad Deshmukh (Practicing Chartered Accountant and Registered Valuer). CMA Abhay Deodhar, Vice Chairman Pune Chapter welcomed to the Speaker and participants. CMA Shrikant Ippalpalli expressed vote of thanks.

PD Committee Chairman CMA Nilesh Kekan, Webinar Coordinators CMA Rahul Chincholkar & CMA Shrikant Ippalpalli successfully arranged and conducted all webinars under guidance of office bearers of Pune Chapter.

VAPI – DAMAN – SILVASSA

Chapter conducted seminar on 16th March 2020 on new returns, einvoicing and recent changes under GST. Eminent faculties were CMA B. F. Modi, CA (Dr) Shailendra Saxena, CMA R. M. Kandoi and CMA Malav Dalwadi. The seminar was attended by more than 50 participants mainly from industries of this area. The picture shows CMA B. F. Modi engrossed with the audiance on New system of returns.

Hon'ble President CMA Balwinder Singh with fresh CMAs during pre-placement orientation organised by Ahmedabad Chapter. Also seen CMA Ashwin Dalwadi CCM and CMA Ashish Bhavsar Secretary WIRC.

Women's Day celebration organised by Ahmedabad Chapter

Women's Day celebration organised by Baroda Chapter

CMA B F Modi interacting with the participants during Seminar on GST organised by Vapi – Daman-Silvassa Chapter on 16th March 2020.

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
WESTERN INDIA REGIONAL COUNCIL
ANNOUNCES WEBINARS ON

Sl No.	DATE	TIME	SUBJECT	SPEAKERS
GST				
1	14-05-2020	11 to 12.30	GST - Relief due to COVID 19	CMA Rahul Pore
2	15-05-2020	11 to 12	GST - Job Works	CMA Dr Sanjay Bhargave
3	16-05-2020	11 to 12	Import Export under GST	CMA Dr Sanjay Bhargave
4	19-05-2020	11 to 12	GST on Co-operative HSG Soc	CMA Narhar Nimkar
5	20-05-2020	11 to 12.30	GST on Bank & NBFC	CMA Shripad Bedarkar
6	21-05-2020	11 to 12.30	GST - Real Estate & Work Contract	CMA V S Datey
7	22-05-2020	11 to 12	GST - Educational Institutions & Healthcare	CMA Dr Sanjay Bhargave
8	23-05-2020	11 to 12.30	RCM Under GST - PART I	CA Pratik Shah
9	26-05-2020	11 to 12.30	RCM Under GST - PART II	CA Pratik Shah
10	27-05-2020	11 to 12.30	GST - Assessment & Appeal	CA Pratik Shah
11	28-05-2020	11 to 12.30	E Commerce Operator & Oider Services	CMA Narhar Nimkar
12	29-05-2020	11 to 12.30	GST - Anti Profiting And Advance Ruling	CA Pratik Shah
13	30-05-2020	11 to 12.30	GST - Inspection Demand AND Recovery	CA Pratik Shah
Maharashtra Co-op. Hsg Soc.				
14	14-05-2020	4 to 5.30	Maharashtra Co-op. Hsg Soc - Registration & Mgt of the Society	CA Manisha Damle
15	16-05-2020	4 to 5.30	Maharashtra Co-op. Hsg Soc - transfer & Transmission, handover and takeover	CA Manisha Damle
16	17-05-2020	4 to 5.30	Maharashtra Co-op. Hsg Soc - Accounts - I	CA Manisha Damle
17	18-05-2020	4 to 5.30	Maharashtra Co-op. Hsg Soc - Accounts - II	CA Manisha Damle
18	19-05-2020	4 to 5.30	Maharashtra Co-op. Hsg Soc - Audit	CA Manisha Damle
19	20-05-2020	4 to 5.30	Maharashtra Co-op. Hsg Soc - Accounting standared	CA Manisha Damle
20	21-05-2020	4 to 5.30	Maharashtra Co-op. Hsg Soc - Taxation - Income Tax & GST	CA Manisha Damle
21	22-05-2020	4 to 5.30	Maharashtra Urban Co-operative Society	CA Manisha Damle
22	23-05-2020	4 to 5.30	Maharashtra Consumer Co-operative Society	CA Manisha Damle
23	24-05-2020	4 to 5.30	online submission to Various Authorities under the Maharashtra Co-op Soc	CA Manisha Damle
RERA				
24	26-05-2020	4 to 5.30	RERA - Introduction	CA Sumit Kapure
25	27-05-2020	4 to 5.30	RERA - Registration	CA Sumit Kapure
26	28-05-2020	4 to 5.30	RERA - Compliance	CA Sumit Kapure
27	29-05-2020	4 to 5.30	RERA - Complaints and Litigations	CA Sumit Kapure
Companies Act				
28	30-05-2020	4 to 5.30	Companies fresh start scheme and LLP Settlements	CS Rohit Karurkar
29	31-05-2020	4 to 5.30	Filing of Forms Under Companies Act	CS Rohit Karurkar
Others				
30	25-05-2020	4 to 5.30	FTP AND Impact Under COVID 19	Mr Vinay Jadhav
31	31-05-2020	11 to 12.30	Advisory on the Treatment of Various Items of Cost in COVID 19	CMA Neeraj Joshi

***Webinar link will be sent separately**

(1 CEP Credit hours will be provided to CMAs on basis of attendance)

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