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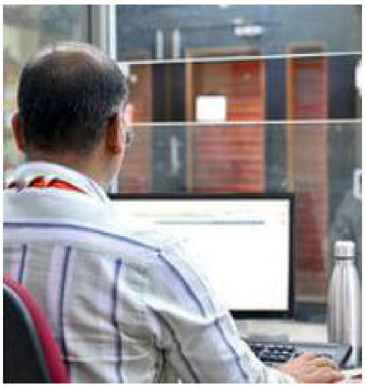
Open season on bankers: staff seek steps to address the lack of security

Vinaya Deshpande Pandit
MUMBAI

A day after *The Hindu* published a report on growing assaults on bankers in Maharashtra during the implementation of the Majhi Ladki Bahin Yojana, a direct benefit transfer scheme, bankers from different parts of the country have sought the Finance Minister's intervention to bring about a Bankers' Protection Act, and address the issue of staff shortage.

Many employees from public sector banks wrote expressing concern about the attacks and seeking permanent recruitment, staff protection and special legislation for the purpose. Legislators also took note of the report, seeking more accountability from the government.



The attacks on bank employees began soon after the roll out of Ladki Bahin Yojana scheme.

The attacks on bank employees began soon after the Maharashtra government rolled out the Mukhyamantri Majhi Ladki Bahin Yojana, one of its flagship schemes, in August 2024. Under this, the government provides a monthly financial benefit of ₹1,500 to women through direct benefit transfer.

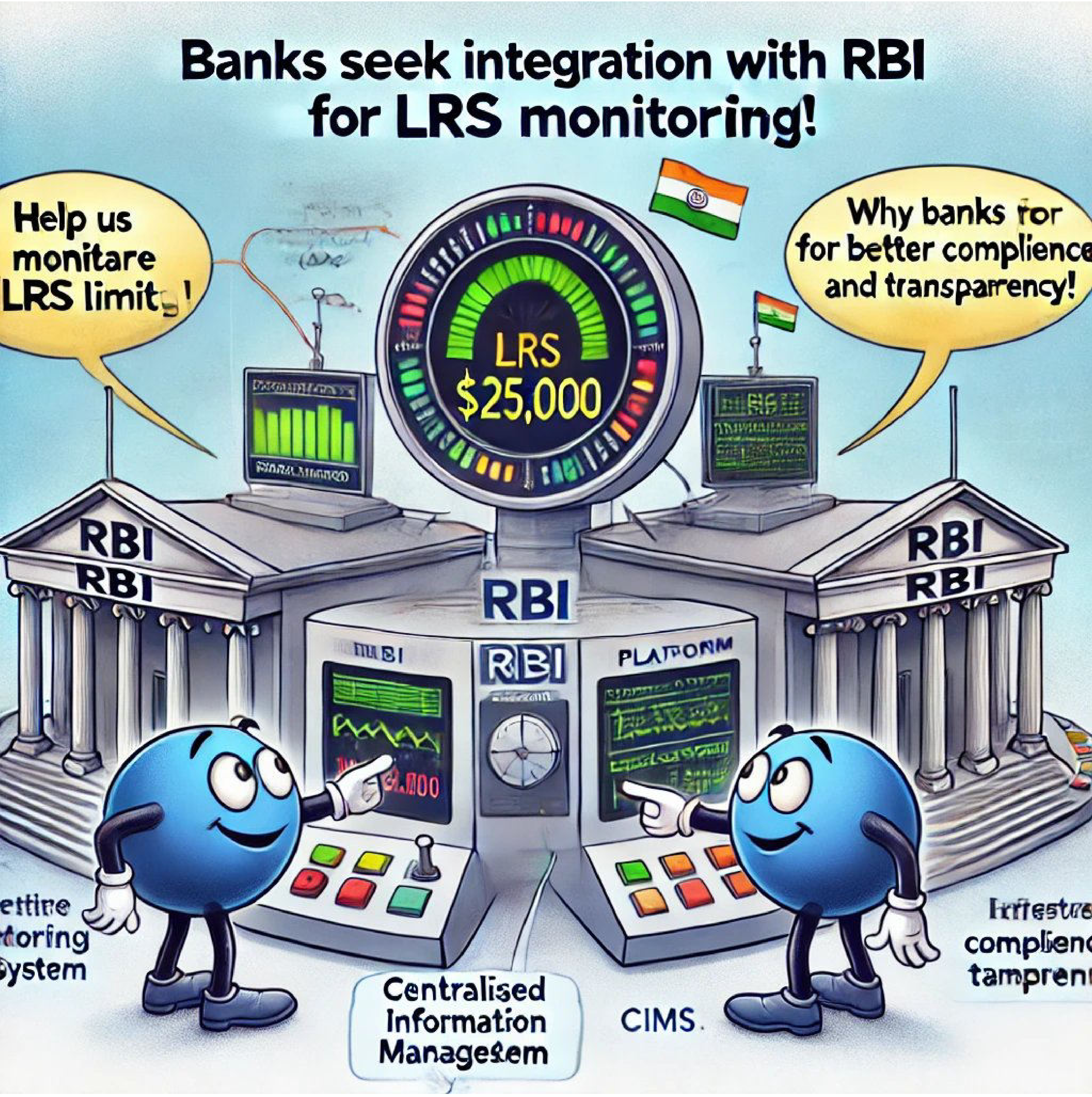
Rajya Sabha member from Maharashtra, Fauzia Khan (NCP-SP), stated, "*The Hindu* addresses a critical issue with the Ladki Bahin Yojana. How can a financial scheme be planned without consideration of our financial institutions and the thousands of employees who work there? Are bankers such easy targets for goons?"

Need real solutions

"Policymakers must recognise practical challenges and provide real solutions rather than populist promises that threaten employees," Vitthal Mane, convener of the United Forum of Bank Unions, posted on X.

"Security is our primary concern. Staff shortage is the second concern. In the last 10 years, when you see the data, we are less in numbers by around 50,000. So, while business is increasing, we aren't getting sufficient staff in branches," said a banker who preferred to stay anonymous.

The All India Bank Employees' Association has claimed that there are more than one lakh vacancies in the banks. In any case, the number of employees in public sector banks has dropped over the years, while the number of branches have increased. In the year 2015, there were 1,26,524 branches of public sector banks, and 8,59,692 employees. In the year 2023, the number of branches have increased by 22.49%, or 28,459 branches, taking the total number of branches to 1,54,983. Meanwhile, the total number of employees has dropped by almost 12% to 7,56,644.


Banks seek integration with RBI for LRS monitoring!
Help us monitare LRS limit
Why banks for for better complience and transparency!
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Banks' NIM falls in Q2 as RBI's penal charge diktat takes effect, deposit cost rises

Piyush Shukla
Mumbai

Large and mid-sized banks have seen a fall in their net interest margin (NIM) – a key indicator of lenders' profitability — in Q2 on account of lower yield on advances, higher cost of deposit and the effect of Reserve Bank of India's circular on levy of penal charges.

Public sector major Bank of Baroda saw its domestic cost of deposit rising by 3 basis points quarter-on-quarter to 5.16 per cent in Q2, while its domestic yield on advances dropped by 6 bps to 8.93 per cent.

"NIM has been within our guidance of 3.15 per cent (+/- 5 bps) and, as of September, NIM is at 3.10 per cent. It is more than that of Q2FY24 with three basis points. However, there is a dip as far as Q1FY25 is concerned. This is mainly because of the fact that with the change in the guideline on penal interest to be converted to penal charges, the interest component has gone down. That has resulted in reduction from 3.18 per cent to 3.10 per cent," said Manoj Chayani, CFO at BoB.

Pressure on NIM

	Net interest margin (%)	Change (q-o-q, in bps)
Bank of Baroda	3.10	-8
Punjab National Bank	2.92	-15
Union Bank of India	2.90	-15
Canara Bank	2.88	-2
CSB Bank	4.30	-6

BoB's MD & CEO Debadatta Chand said the penal charges circular hit the bank's NIM by 5 bps or had an impact of around ₹179-180 crore. The lender now accounts for these charges under 'other income' segment of balance sheet rather than 'interest income'. CSB Bank MD & CEO Pralay Mondal, too, said the circular has had an impact of 20-25 bps on the bank's NIM.

NEW RBI NORMS

Under the RBI's new rules, any penalty charged for non-compliance of the material terms of the loan contract should be treated as 'penal charges'. It cannot be levied in the form of 'penal interest' that is added to the interest on the advances.

Further, there should be no capitalisation of penal charges, that is, no further interest computed on such charges. The norms were introduced to ensure that penal interest/charge is not used as a revenue enhancement tool by lenders. The switchover to new penal charges regime had to be ensured on or after April 1, 2024, but not later than June 30.

Ramasubramanian S, Executive Director at Union Bank of India, said the bank saw an 11 bps impact on margin in Q2 due to the RBI circular.

Union Bank's cost of deposit rose 19 bps q-o-q to 5.56 per cent in Q2, while yield on advances fell 2 bps sequentially to 8.70 per cent. Overall, the bank's NIM declined by 15 basis points bps q-o-q to 2.90 per cent in Q2.

Says Canara Bank MD, CEO K. Satyanarayana Raju, "NIM is slightly lower due to pressure on cost of deposit. In the March quarter, the interest rates had risen to as high as 8.10 per cent. Even now, some banks are holding interest rate at 7.93-7.94 per cent. So when incremental deposit garnering is being done at interest rate of 7.7-7.9 per cent, it will have impact on cost of deposit during the tenure of the deposit."

"Going ahead, our NIM could be at 2.85 per cent. I don't see much movement in deposit cost. Since the RBI has changed its policy stance to neutral, if there is reduction in repo rate, external benchmark linked advances will get revised immediately whereas deposits will take time to reprice," he said.

The MFI lending FALLOUT

ASSET QUALITY CONCERNS. Many private banks have been hit by the turbulence in the MFI segment. What are banks doing and how should investors play this space?

GETTY IMAGES

Nishanth Gopalakrishnan
bl. research bureau

The quarterly results season for banks (Q2 FY25) is coming to a close, with almost all major banks having reported figures, barring SBI. So far, it has been a tale of two cities as far as private banks are concerned, with solid numbers being rewarded by the market and weaker ones being punished. Post publication of results, shares of banks such as HDFC Bank and ICICI Bank have gained 3 per cent each. HDFC Bank reported an improved credit-deposit ratio (CDR) of 377 basis points (bps) sequentially to 100.8 per cent, with its unmistakeable best-in-class asset quality, while ICICI Bank reported a healthy set of numbers on all fronts.

On the other hand, shares of banks such as IndusInd Bank and Kotak Mahindra Bank (KMB) have corrected 17 per cent and 7 per cent respectively, since reporting of results. Shares of IndusInd Bank witnessed the worst correction in the last 15 years (excluding the pandemic year) of about 19 per cent intra-day on October 25. A week-performing microfinance (MFI) portfolio is a common feature of both banks' results.

The gross NPA (GNPA) ratio of IndusInd Bank's MFI book went up 138 bps quarter on quarter (QoQ) to 6.54 per cent, while the overall GNPA ratio rose marginally by 10 bps. Slippages of KMB were amplified by delinquencies in its MFI portfolio. As both banks scaled back their MFI books, their yields were affected, thereby putting the net interest margin (NIM) under pressure. The prevailing embargo on KMB's credit card business and stress observed in that portfolio on top of that, didn't help KMB's margin.

Year to date, Nifty 50 has returned 12 per cent. Compared to this, the Nifty Private Bank index has yielded just 2 per cent, while the Nifty Bank index has gained 7 per cent. The Private Bank index trades at a valuation of 2.3 times its book value, which is at a discount to its five-year average price to book (P/B) multiple of 2.8 times. Hence, private banks may be on the radar of many value investors. As multiple private banks including small finance banks have sizeable exposure to the MFI segment, how should investors play this space safely?

THE GENESIS

The MFI segment is a credit-starved space and is underserved. The sheer market size (estimated overall MFI portfolio of all players as of FY24 was ₹6.9 lakh crore - about 4.3 per cent of gross bank credit) and the borrowers' preference to organised players over unorganised players charging usurious interest rates, are predominantly the drivers behind the stellar growth in the segment's portfolio assets at a CAGR of 21 per cent between FY18 and FY24. This is expected to grow at a healthy CAGR of between 16 and 18 per cent between FY24 and FY27 (data from the RHP of Northern Arc Capital).

In October 2022, the RBI lifted the cap on interest rates that MFI lenders can charge borrowers. The relatively-higher yields and the prospects of higher risk-adjusted returns caused the foray of multiple players into the space. The RBI had lifted the cap, expecting the increased competition would play out in favour of the borrower in terms of competitive interest rates.

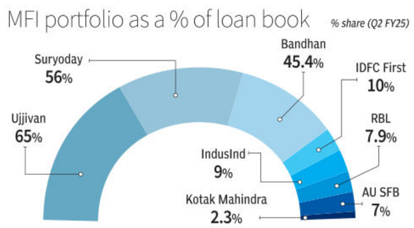
The RBI had also lifted the cap on the number of MFI loans per borrower, which was restricted to two per borrower earlier. These factors have driven the high growth in this segment.

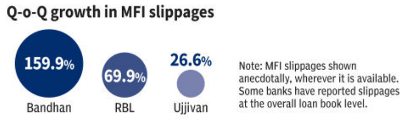
TOO MANY LOANS

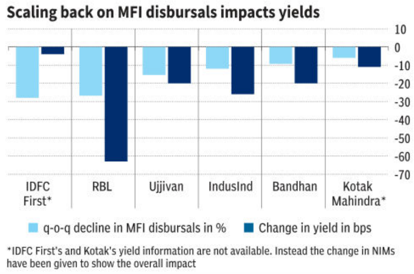
But too much growth meant asking for trouble. Soon, borrowers started overleveraging, meaning they borrowed fresh loans at a time when there were other subsisting loans. The RBI on its part, has repeatedly voiced concerns and brought about measures to curb this. Among other things, in mid-August, it ordered at least five private banks to hike risk weights on MFI loans from 75 per cent to 125 per cent.

A report by CRIF Highmark highlights that as of June 2024, out of the total MFI portfolio of all lenders, the sum of outstanding loans that were lent to borrowers who had borrowed from four or more lenders made up 19 per cent.

In Q2 FY25, IndusInd Bank, for instance, reported that 44 per cent of the borrowers were indebted only to the bank, 27 per cent to the bank and one other lender, and about 9 per cent to three or more lenders. In Ujjivan SFB, 7 per cent of the MFI borrowers are indebted to four or more lenders. Out of the banks that were analysed by us, RBL Bank had the most over-leveraged borrowers with 8 to 10 per cent of the borrowers indebted to four or more lenders. Banks in their defence, claim that it was only after they had lent first to a borrower, did the borrower get additional loans.







This overleveraging menace has been exacerbated by factors such as elections, heat waves, diminishing rural income in certain pockets and political expectations such as waivers. This has led to serious asset quality issues for lenders. Consequently, the sequential slippages ballooned this quarter. For IDFC First Bank, out of the net slippage addition of ₹260 crore for Q2 FY25, (up 23 per cent QoQ), 40 per cent came from the MFI book.

CREDIT COSTS UP

This prompted banks to ramp up provisions. IDFC First Bank, for instance, has made additional provisions of ₹315 crore specifically for the MFI book. It has also tweaked its provisioning policy such that 80 per cent of delinquent accounts are provided for on a 90-DPD (days past due) basis and the management reported that 99 per cent of SMA 1 (30 DPD) and SMA 2 (60 DPD) accounts have been provided for already. This has pushed up the credit cost attributable to the MFI book sequentially from about 4.5 to 7.5 per cent in Q2. Including the provisions for one Maharashtra toll road account of ₹253 crore (due to the state government waiving payment of toll), the bank has guided for an overall credit cost of around 2.3 per cent for FY25.

RBL bank has guided for a credit cost of 2.5-3 per cent for FY25 and Ujjivan SFB up to 2.5 per cent. IndusInd Bank has increased its contingency provisions by over ₹500 crore. Though not directly attributable to the MFI book, the fact that the timing of these provisions coincides with a weak quarter in which GNPA ratio in the MFI book also has gone up, raises eyebrows.

The increased stress in the segment has forced banks to scale back on disbursals in the segment. A lower share of high-yielding MFI book, means lower yields for the lenders. This comes at a time when yields are anyway set to trend down when rate cuts come (since most private banks have higher share of floating rate loans). Additionally, if repricing of deposits take longer than that of loans, it could result in a double whammy for NIMs.

MFI LOAN OUTLOOK

The outlook remains bleak with managements uncertain about when things will start looking up for the sector and most reckon that the stress will sustain for the next two-three quarters.

Lenders have adopted various measures to tackle the strained segment. RBL Bank is focusing on renewals to the existing borrowers, while limiting exposure to one loan per borrower. IDFC First Bank is expecting to insure incremental advances with the CGFMU (Credit Guarantee Fund for Micro Units) up to 75 per cent of the portfolio by FY25-end from the current 50 per cent. Ujjivan SFB has the following measures in place – restricting advances to NTC (new to credit) borrowers, serving only those customers who have a good track record with the bank and limiting exposure to problematic clusters of some States. Almost all banks have ramped up resource allocation in the collection department. This can mean higher operating expenses ahead.

There are near-term ramifications due to the MFI slip-up and though many banks have put checks in place for the future, one needs to wait and watch as to how banks navigate through this challenge. Risk-averse investors can be better off keeping away from banks that have a sizeable exposure to the MFI segment. At *bl.portfolio*, we have a 'hold' call on KMB. Post this development, investors can continue to hold the stock, as the MFI portfolio is only a small part of the bank's loan book. We also have an 'accumulate' call on HDFC Bank. Investors can continue to accumulate the stock in dips. First, the bank does not have exposure to the risky MFI segment. Second, the bank continues to display progress in its plan to bring down the CDR.

Q2 sees growth in deposits, rise in cost of funds

While risks from MFI exposure and its ramifications on financials of affected banks have hogged the limelight, how have players fared on other key metrics in Q2? Here's a look.

Higher levels of CDR, driven by deposit growth rates trailing loan growth rates, were the overarching theme of the first quarter of FY25. The RBI Governor too, repeatedly insisted that banks focus on deposit mobilisation, lest they face liquidity risks.

There is good news on this front this quarter. The deposit growth rate at the system level this quarter has been 11.8 per cent year on year, which is not far from the advances growth rate of 12.8 per cent. Last quarter, the rates were 11.1 per cent and 17.4 per cent respectively. As a result, the system CDR also has eased from 79.3 per cent to 78.9 per cent.

However, the low-cost CASA (current account savings account) balances haven't picked up and the growth in deposits is primarily fuelled by good growth in term deposits, possibly due to investors wanting to lock-in deposits for longer tenures at prevailing higher interest rates. CASA balances declined 0.4 per cent sequentially, while term deposits grew 3.5 per cent. Consequently, cost of deposits/funds of most banks saw an uptick.

GETTY IMAGES

How cyber scams use social engineering and malicious APKs to swindle users

How was an unverified and malicious app downloaded on an Apple phone? How did the cybercriminals enable call forwarding on the user's device? How much money did India lose to cyber scams in 2023 alone?

Nabeel Ahmed

The story so far:
In mid-October, traveller Bhargavi Mani claimed that she lost close to ₹1 lakh while trying to book lounge access at the Bengaluru airport. The scam was allegedly executed after Ms. Mani was asked to download an APK (Android Package format) file that looked like a regular app, shared via a WhatsApp chat originating from an international number.

What happened?
The malicious APK was able to function after she clicked on the link which granted screen mirroring access to a supposed customer care adviser during a video call. When checking her credit card statement later, Ms. Mani noticed an unauthorised transaction of ₹87,125 to a PhonePe account. Additional transactions were also attempted but were denied due to the card reaching its spending limit. Ms. Mani also claimed her contacts were unable to reach her, and that a man was answering her calls. This could have been due to malicious call forwarding.

How do cybercriminals use Big Tech platforms?
Ms. Mani said she was asked to download the malicious app from a fake website, which no longer exists. The URL presented to her was "Loungepass.in," the link to which was shared through a WhatsApp business account. The phone registered to the account had an international number. Ms. Mani claimed this fake website was one of the top results on Google, pointing to gaps in the verification process when big businesses are listed in search results.

Loungepass.com is a genuine website that allows users to pre-book airport lounge access at major airports. In Ms. Mani's case, social engineering tactics were employed to lure her to the fake site; a method commonly used by threat actors. However, it is important to note that Apple's iOS is designed to prevent apps from being downloaded or installed directly from a link that bypasses the official Apple App Store, which enforces strict security protocols. This is where the prowess of the scam comes into play.

How did the malicious APK work?
The only way to download an app on an iOS device is through the official Apple App Store.

Apps in the store are verified by Apple and regularly checked for malicious code to ensure user security. However, users can download and test unreleased apps on their devices by enabling a hidden setting within iOS. This feature allows users to test beta or unreleased versions of apps from developers. "Apple's Swift SDK also allows screen sharing (both in-app and in the background)", explained cybersecurity researcher Vishesh Kochher.

Scammers can use social engineering techniques to enable this setting and allow people to download malicious apps that appear to be legitimate.

In Ms. Mani's case, once the malicious APK accessed her device, scammers likely enabled call forwarding. For example, this can be done on Airtel's network by dialling a code, followed by the phone number to which calls should be forwarded, Mr. Kochher explained. With call forwarding enabled, scammers can easily receive OTPs for transactions via phone banking.

Mr. Kochher further says that an app could be used on iOS to initiate phone calls. With calls forwarded to the scammers' number and outgoing calls controlled by the app, scammers could complete transactions without the user's knowledge.

"The technical sophistication of the app used in this scam appears similar to those used by online loan sharks, which access messages, photos, and stored information," Mr. Kochher explained.

Who was behind the scam?
The website used to lure Mani into downloading the malicious app has been taken down. A simple search for the registered domain name shows the website, hosted by Hostinger, was registered in Gujarat, India.

However, further details about the individuals behind the website – such as their phone number, address, and organisation – were redacted from the registry. Investigators can request this information.

How bad is the cybercrime situation in India?
In 2023, Indian citizens lost ₹66.66 crore in 4,850 reported cases of online scams. A report by the Indian Cybercrime Coordination Centre (I4C) revealed that digital financial frauds amounted to a staggering ₹1.25 lakh crore over the last three years.

According to the National Cybercrime Reporting Portal (NCRP), at least ₹10,319 crore was reported lost by victims of digital financial fraud in 2023. Additionally, 5,252 suspect URLs have been reported so far.

The Parliamentary Standing Committee on Finance's report on 'Cybersecurity and Rising Incidents of Cyber/White Collar Crimes' noted that domestic fraud reported by Supervising Entities (SE) in FY23 totalled ₹2,537.35 crore. The use of sophisticated technical knowledge, coupled with social engineering techniques and a rise in data leaks, exacerbates the problem. India ranked fifth globally in the number of breached accounts in 2023, with 5.3 million leaked accounts. Scams enabled by social engineering and technical expertise are unlikely to disappear anytime soon. Users are advised to tread with caution when clicking on unverified links, downloading new apps, and scanning QR codes. They should periodically check for compromised passwords across all online accounts, and regularly review their card records for unknown transactions.

How NRIs can use UPI for instant, no-fee transactions when abroad

UPI allows you to stay engaged with your roots, ensuring prompt financial support to your family and friends

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MUMBAI

Non-resident Indians (NRIs) now have a faster, more convenient option than traditional wire transfers to send money to family or make payments in India. The National Payments Corp. of India (NPCI) has extended UPI access to NRIs who hold non-resident external (NRE) or non-resident ordinary (NRO) accounts.

This expansion allows NRIs to conduct instant transactions from their smartphones using UPI linked to their international mobile numbers, simplifying financial connections with India.

Setting up UPI for NRIs

NRIs must first link their international mobile numbers to their NRE or NRO bank accounts. This step is most important for enabling UPI or Unified Payments Interface transactions with their overseas numbers. Once linked, NRIs can download a UPI-enabled application compatible with international mobile numbers, such as iMobile or PhonePe.

After downloading the app, users must undergo an onboarding process, including mobile number verification, then create a unique UPI ID or virtual payment address (VPA) linked to their international mobile number. Finally, they should select their bank account and submit the details to activate their UPI profile.

Supported countries, banks

NPCI has enabled UPI for NRIs residing in specific countries, such as the US, UK, the UAE, Singapore, Australia, Canada, and more. To enable UPI transactions, NRIs can access services from the list of specific banks, including AU Small Finance Bank, Axis Bank, Canara Bank, City Union Bank, Equitas Small Finance Bank, DBS Bank, Federal Bank, HDFC Bank, ICICI Bank, IDFC First Bank, IndusInd Bank, South Indian Bank. and Punjab National Bank. Each bank offers services to support NRIs to manage their finances through UPI.

Presently, UPI applications that allow NRIs to make transactions from their international numbers include BHIM AU (by AU Small Finance Bank), FedMobile (by Federal Bank), iMobile (by ICICI Bank), BHIM Indus Pay (by IndusInd Bank), SIB Mirror+ (by South Indian Bank), and PhonePe. These apps ensure that NRIs can easily connect with their financial networks in India, regardless of their current location.

How NRIs can use UPI

UPI enables NRIs to send money in Indian rupee for various purposes, such as paying Indian merchants, transferring to UPI IDs, or by scanning Indian QR codes. NRIs can also send money to any Indian mobile number or bank account, provided it's UPI-enabled.

With UPI, transactions are processed instantly, ensuring that the recipient's account is credited almost immediately upon completion of the transfer process.

Currently, UPI transactions are conducted only in Indian rupee (INR). When you initiate a successful UPI transaction, the funds are credited to the beneficiary's account almost instantly. However, payments to a contact can only be made to Indian mobile numbers, and this is possible only if the recipient has a valid UPI/VPA ID linked to an Indian bank account.

It's important for NRIs to remember that UPI transactions have certain daily limits. NPCI mandates a maximum transaction cap of Rs 1 lakh per day, though this may vary slightly depending on the bank. In the case of newly registered UPI IDs, NRIs have an initial transaction limit of ₹5,000 for the first 24 hours, after which the full daily limit is restored.

For example, if Mr. A, an NRI has an international mobile number linked to his NRE account, he can seamlessly send and receive money with his family and friends in India through UPI.

When Mr. A wants to send money, he simply opens his UPI app, enters the recipient's UPI ID (or scans his or her QR code), keys in the amount, and confirms the transaction. To successfully complete this transfer, the recipient needs an Indian mobile number linked to a UPI ID and an Indian bank account.

On the other hand, if Mr. A's family or friends want to send him money, he can share his UPI ID. The sender can use this ID to initiate an instant transfer. Alternatively, if Mr. A is not registered on UPI, he can still receive funds by sharing his bank account details with the sender, who can use the "send to account" option in their UPI app.

Permissible transactions

NRIs are permitted to conduct UPI transactions between NRE and NRO accounts, as well as with resident Indian accounts. However, transfers from an NRO account to an NRE account are prohibited. Permitted transaction combinations include NRE to NRE, NRE to NRO, and both NRE or NRO to resident accounts. If an NRI holds multiple bank accounts, each account must have a unique UPI ID, as multiple accounts cannot be linked to a single UPI/VPA ID.

Even if an NRI isn't registered on UPI, they can still receive funds through the 'send to account' option on the UPI app. This option allows the sender to enter the recipient's bank account details manually.

Joint account holders

For NRIs with jointly held accounts, UPI is limited to the primary account holder, who can generate a single UPI ID and access it on one device only. This limitation ensures secure and controlled access, particularly in joint accounts with multiple account holders.

Convenient, low-cost option

While UPI remains usable across borders, NRIs can transact even when travelling to India or other countries. There's no need for re-registration with a local mobile number when switching locations. If NRIs encounter cellular connectivity issues, they can rely on Wi-Fi to make UPI payments, even when international roaming is inactive.

According to the NPCI website, UPI transactions for NRIs are free, making it a cost-effective option for payments in Indian rupee. With the inclusion of NRIs, UPIs have become a convenient and low-cost option for supporting families, handling routine transactions, and being financially connected to India.

How NRIs can transact using UPI

Follow these steps to activate UPI on your international mobile number

1. Link international number with your NRI bank account
2. Download the UPI app
3. Complete the onboarding process
4. Verify mobile number
5. Create your UPI ID
6. Select bank account number

Submit

This process typically takes a few seconds

Eligible UPI transactions

- Send INR payments to Indian merchants and UPI IDs
- Link international numbers to NRE/NRO accounts
- Make QR code-based payments
- Send money via bank/account number if receiver does not have UPI ID
- No re-registration required when in India
- Create multiple UPI IDs for each bank account
- Instant transactions

UPI restrictions

- No foreign currency transactions; only INR is permitted
- One UPI ID per account; multiple accounts cannot have same UPI ID
- Transfers from NRO to NRE accounts are not allowed
- Payments via contact numbers only for Indian mobile numbers with UPI IDs
- Give access to joint holders; only primary account holders can generate/access UPI ID

Countries and banks supporting UPI transactions for NRIs

Countries	Banks	UPI apps
Australia, Canada, France, Hongkong, Malaysia, Oman, Qatar, Saudi Arabia, Singapore, United Arab Emirates, United Kingdom, USA	AU Small Finance Bank, Axis Bank, Canara Bank, City Union Bank, DBS Bank, Equitas Small Finance Bank, Federal Bank, HDFC Bank, ICICI Bank, IDFC First Bank, IndusInd Bank, Punjab National Bank, and South Indian Bank.	BHIM AU (by AU Small Finance Bank), FedMobile (by Federal bank), iMobile (by ICICI bank), BHIM Indus Pay (by IndusInd Bank), SIB Mirror+ (by South Indian Bank), BHIM, PhonePe

(Source: NPCI)

Eligible transfers	Unauthorized transfers
NRE to NRE NRE to NRO NRE or NRO to Resident Accounts NRO to NRO NRO to Resident Accounts	NRO to NRE

Scenario	Steps	Requirements
Mr. A wants to send money to family or friends in India	1. **Mr. A** opens his UPI app. 2. Enters recipient's UPI ID or scans his/her QR code. 3. Enters the amount and confirms the transaction.	Recipient must have an Indian mobile number and a UPI ID linked to an Indian bank account.
Mr. A wants to receive money from family/friends in India	1. **Mr. A** shares his UPI ID or virtual payment address (VPA) with the sender in India. 2. The sender initiates a transfer using Mr. A's UPI ID.	**Mr. A** must have a valid UPI ID linked to his NRE or NRO bank account.

Note: All transactions in INR only

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PRANAY BHARDWAJ/MINT

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Best home loan rates

A home loan is probably the biggest loan that one takes. Not only in terms of the loan amount, but also tenure, which can be 15 years or more. The total final amount that one pays can be double of what was borrowed. But a home loan is among the cheapest loans available, and usually it is the only way a person can buy a house. A home loan is called a 'good' loan because it helps you acquire a tangible asset that can appreciate over the long term. It makes sense to buy a house if you plan to live in it. Given the fact that the construction of several housing projects in India continues to be delayed or stalled by many years, financial advisers say that one should buy a ready-to-move-in house. Here's a look at the lowest home loan interest rates of some leading banks.

Loan amount = ₹30 lakh. Tenure = 20 years

Lender	Interest rate (%)	EMI (₹)	Processing fee
City Union Bank	8.25-10.50	25,562-29,951	**0.20% - 0.35%** + GST
Bank of India	8.35-10.85	26,283-30,660	**0.25%** (Min. **₹1,500** and Max. **₹20,000**) for Individuals*
Bank of Maharashtra	8.35-10.90	26,283-30,762	Up to **0.25%** (Max. **₹25,000**)
Central Bank of India	8.35-9.50	26,283-27,964	Waived up to 31 Dec 2024
UCO Bank	8.35-10.00	26,283-28,951	**0.5%** (Min. **₹1,500** and Max. **₹15,000**)
Union Bank of India	8.35-10.75	26,283-30,457	**0.50%** (Max. **₹15,000**) + GST
Bank of Baroda	8.40-10.60	25,845-30,153	Nil; Subject to recovery of out of pocket expenses of up to **₹10,000** + GST
Canara Bank	8.40-11.25	25,845-31,478	**100%** waiver from 01 Sep 2024 to 31 Dec 2024 under Retail Loan Festival
Indian Bank	8.40-10.35	25,845-29,650	Up to **0.25%**
Indian Overseas Bank	8.40-10.60	25,845-30,153	Up to **0.50%** (Max. **₹25,000**) + GST
Punjab National Bank	8.40-10.10	25,845-29,150	Waived from 05 Jun 2024 to 31 Mar 2025
Nainital Bank	8.40-11.00	25,845-30,966	Not updated
IDBI Bank	8.45-12.30	25,940-33,662	**₹5,000** to **₹15,000**; Nil for Inward Balance Transfer and PMAY Cases
State Bank of India	8.50-9.65	26,035-28,258	**0.35%** (Min. **₹2,000** and Max. **₹10,000**) + GST
Punjab & Sind Bank	8.55-10.00	26,130-28,951	Full waiver of processing charges

Data taken from banks' websites as on 31 October 2024. EMI range is indicative and calculated on the basis of interest rate range; it may include other charges and fees. Actual applicable interest rate may vary based on the credit profile of the loan applicant.
*0.50% (Min. ₹3,000 and Max. ₹40,000) for other than individuals

PRANAY BHARDWAJ/MINT

Source: MyMoneyMantra.com

PMJAY: Govt spends over ₹ 1.1 lakh cr on free hospitalisation

Over 79 mn individuals have benefited from the scheme so far

FE BUREAU
New Delhi, November 3

SINCE ITS LAUNCH in September 2018, the Pradhan Mantri Jan Arogya Yojana (PMJAY) has provided over ₹1.1 lakh crore in free hospitalisation benefits to beneficiaries, significantly enhancing healthcare accessibility for India's most vulnerable populations.

According to the official data, more than 79 million individuals have benefited from PMJAY scheme, which provides an annual health cover of ₹5 lakh. The scheme was made available for 107 million poor households in the country since September 2018, covering the bottom 40% of India's population.

PMJAY can help in reducing out-of-pocket healthcare expenditures, which previously pushed millions into poverty. At the scheme's inception, around 62% of healthcare costs were paid directly by individuals, a burden that drove many into financial hardship.

States with the highest number of beneficiaries include Tamil Nadu, Karnataka, Rajasthan, Kerala, Andhra Pradesh, and Gujarat.

Under PMJAY, close to 2,000 procedures are available for beneficiaries to get cashless treatment which includes all the costs related to treatment, medicines, supplies, diagnostic services, physician's fees, room charges, surgeon charges, OT & ICU charges, etc. The top speciality care treatments availed by beneficiaries to date are general medicine, infectious diseases, general surgery, medical oncology, ophthalmology and orthopaedics. Among the procedures availed by the people, are hemodialysis, screening for Covid-19, multiple packages and acute febrile illness.

Over 355.4 million Ayushman Cards have been issued to eligible individuals, enabling them to access healthcare at 30,672 empaneled public and private hospitals.

Recognising the impact of high medical bills on financial stability, the Parliamentary Standing Committee on Finance has recommended extending PMJAY to cover the "missing middle" on a paid basis. Recently, the scheme was expanded to include senior citizens above 70, regardless of income.

A Niti Aayog report from October 2021 highlighted that 30% of India's population, approximately 400 million people, still lack health coverage. This segment, termed the "missing middle," remains vulnerable without financial protection for health-related expenses.

AT A GLANCE

- The scheme provides an annual health cover of **₹5 lakh**

- The scheme was made available for **107 mn** poor households in the country since September 2018
- It covers the bottom **40%** of India's population
- States with the highest number of beneficiaries include Tamil Nadu, Karnataka, Rajasthan, Kerala, Andhra Pradesh and Gujarat
- Over **355.4 mn** Ayushman Cards have been issued to eligible individuals

CHENNAI/KOCHI

MFI stress: Pvt banks raise provisions

ANUPREKSHA JAIN
Mumbai, November 3

PRIVATE BANKS HAVE sharply increased provisions for loans sanctioned to microfinance institutions (MFIs) owing to the rising stress in the sector. In the second quarter results season, banks like Kotak Mahindra Bank, IDFC First Bank, RBL and IndusInd have made significant provisions for loans to the sector.

This is in line with the Reserve Bank of India's (RBI) directions that banks and NBFCs involved in microfinance lending to ensure borrowers fully repay outstanding loans before availing of new ones.

Ashok Vaswani, MD and CEO at Kotak Mahindra Bank said in a post-earning call, "We restricted (microfinance) growth because we called out about 2 quarters ago, we are seeing some strain, and we are being cautious of growing in the MFI space. We expect it to continue for at least the next two quarters then it may get okay." In terms of the total rise in fresh slippages for Kotak Mahindra Bank, about one-fourth of the slippages came from the microfinance segment. Provisions surged by 60% to ₹660 crore. Meanwhile, fresh slippages jumped 43% to ₹1,875 crore.

ASHOK VASWANI,
MD AND CEO, KOTAK MAHINDRA BANK

WE RESTRICTED MICROFINANCE GROWTH BECAUSE WE CALLED OUT ABOUT 2 QUARTERS AGO. WE ARE SEEING SOME STRAIN AND ARE BEING CAUTIOUS OF GROWING IN THE MFI SPACE

V VAIDYANATHAN,
MD AND CEO, IDFC FIRST BANK

THE BANK HAS BEEN INSURING INCREMENTAL DISBURSALS OF ITS MFI BOOK WITH THE CREDIT GUARANTEE FUND FOR MICRO UNITS SINCE JANUARY AND THAT 70% OF THE BOOK WILL BE INSURED BY MARCH '25

Kotak Mahindra Bank's management said that the stress build was due to overleveraging along with the slowdown in the rural household economy, leading to a rise in delinquencies.

Another private sector bank, IDFC First, made provisions of ₹568 crore, including ₹315 crore in the microfinance institution business, which has been experiencing stress. In the reported quarter, the microfinance portfolio, as a percentage of an overall loan book, reduced to 5.6% from 6.3% sequentially. This led to a slump of 73% in the net profit.

V Vaidyanathan, MD and CEO at IDFC First Bank, said, "The bank has been insuring incremental disbursals of its MFI book with the Credit Guarantee Fund for Micro Units since January 2024, and that 70% of the book will be insured by March 2025."

For IndusInd Bank, slippages rose to ₹1,798 crore rupees with around ₹400 crore coming from the microfinance segment. Provisions rose 87% to ₹1,820 crore. The bank saw its 30-90 days past due rising 2.1%.

ICRA in its latest report projected a 10-12% growth in assets under management in the microfinance sector this current financial year. Another bank, RBL, saw a sharp dip in its net profit due to a rise in provisions provided for the microfinance and cards segment. The management said that the provisions have not yet peaked, and they would still provide 25% in each quarter. For RBL Bank, total net slippages were ₹817 crore, with about 231 crore from the MFI segment. The management provided ₹283 crore of contingent provisions for MFIs and cards. R Subramaniakumar, MD at RBL Bank said in a post-earning call, "We are seeing some improvements in efficiency and with the industry adopting conservative lending practices, our estimate would be to see this near-term impact bottoming out through Q3 as efficiency trend upward and normalcy coming back in Q4."

According to a report by CIRF, as of June, the microfinance portfolio was at ₹432.7 crore, reflecting a quarter-on-quarter decline of 2.3% over March 24. Despite the overall contraction, Banks and NBFC-MFIs continue to dominate the market, with a total share of 72%. At the same time, the industry witnessed increasing stress with rising delinquencies across all days' last due bands, observed from March to June. Delinquencies increased across all lender types and ticket sizes, the report said.

Falling asset quality, credit costs weigh on NBFCs in Q2

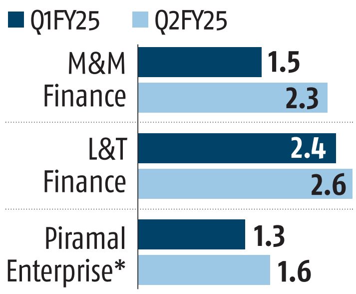
Driven by cash flow disruptions, challenges seen in unsecured segments

AATHIRA VARIER
Mumbai, 3 November

ILLUSTRATION: AJAY MOHANTY

COSTLY AFFAIR

Credit cost of NBFCs (in %)



*Net credit cost
Source: Exchange filing

Major non-banking financial companies (NBFCs) faced increased credit costs and a decline in asset quality during the second quarter of FY25 (Q2FY25) compared to the previous quarter. This is primarily due to disruptions in cash flows and challenges in the unsecured segments, including microfinance.

For Mahindra & Mahindra Financial Services (M&M Finance), gross stage 3 assets in Q2FY25 stood at 3.83 per cent, 20 basis points (bps) higher than 3.6 per cent in Q1FY25.

"…40 per cent of the increase in gross stage 3 has come from the tractor segment. And, we have witnessed pain mostly in the agrarian states where cash flows have been disrupted. The cash flow issue is not just in the agri sector, but some in the commercial vehicle (CV) customer segment has also seen a bit of elevated pain in Q2. This has had a bearing on our collection efficiency," Raul Rebello, managing director (MD) & chief executive officer (CEO) of the company said during the post earnings analyst call. Meanwhile, asset quality of L&T Finance has been largely stable due to the write-offs. The gross stage 3 assets of the company inched up marginally to 3.19 per cent from 3.14 per cent in Q1FY25.

During the post earnings call, Sachinn Joshi, chief financial officer (CFO) of L&T Finance agreed that the write-off has helped reduce the increase in stage 2 and stage 3 assets.

He also said, "…the deterioration in gross stage 3 assets was primarily because of the macro operating environment deteriorating in the rural business finance vertical, a rationalisation of the tractor repo policy and some localised adjacencies in the two-wheeler business"

Bajaj Finance also witnessed asset quality pressure across its retail and small and medium enterprise (SME) lines of business, resulting in its loan loss provisions remaining elevated. In Q2, the lender saw its stage 2 assets reduce by ₹357 crore but its stage 3 assets increased by ₹899 crore.

Piramal Enterprises also highlighted concerns in the unsecured portfolio in business loans and risk deterioration in the sub-₹50,000 segment. Gross non-performing assets (GNPAs) of the company rose to 3.1 per cent from 2.7 per cent in Q1. The Q2 net credit cost stood at 1.6 per cent against 1.3 per cent Q1.

More on business-standard.com

Banks propose new benchmark for rate derivatives market

ANJALI KUMARI
Mumbai, 3 November

Banks have suggested phasing out the uncollateralised Mumbai Interbank Offer Rate (Mibor) and proposed a new benchmark for the interest rate derivatives market, according to sources privy to the development.This came after the Reserve Bank of India's (RBI's) Mibor Committee released a report on October 1. It recommended changes in the methodology of MIBOR while proposing a shift to a new benchmark for derivative products.

Fixed Income Money Market and Derivatives Association of India (FIMMDA) recently held a meeting with bankers to discuss transitioning India's interest rate derivatives market from the current uncollateralised MIBOR benchmark to a collateralised framework, similar to international standards.

The meeting was organised for feedback on the RBI's report which sought feedback from the market by November 15.

The banks proposed a new benchmark for interest rate derivatives market with a balanced 50-50 weighting between TREPS and CHROMs, according to sources.

"FIMMDA sought feedback from member banks and organised a call for discussions on the new proposal. The market is advocating for the transition away from the uncollateralised reference rate to a collateralised rate, similar to the Secured Overnight Financing Rate (SOFR)," said the treasury head at a private bank.

"Banks were in agreement with this and discussion was around assigning 50 per cent to TREPs and 50 per cent to CHROMs," he added. SOFR is a benchmark interest rate that reflects the cost of overnight borrowing, collateralised by US Treasury securities. It was introduced as an alternative to the London Interbank Offered Rate (Libor).

26 MN APPLICANTS FOR PM VISHWAKARMA SCHEME

As India marked Vishwakarma Puja on Friday, here's a look at the performance of the Centre's flagship scheme PM Vishwakarma, which was launched last year for the welfare of traditional craftspeople and artisans in the country. A total of 25.8 million applications have been submitted so far, of which 2.37 million applicants have successfully registered after undergoing a three-step verification process. Nearly a million registered people have received toolkit incentives of up to ₹15,000 through e-vouchers to buy modern tools suitable for their occupation.

TOP 5 STATES WITH HIGHEST REGISTRATIONS

Karnataka	519,346
Rajasthan	201,395
Maharashtra	200,278
Gujarat	195,759
Madhya Pradesh	176,936

TOP 5 TRADES WITH REGISTRATIONS

Mason *(Raj Mistri)*	425,881
Tailor *(Darzi)*	396,800
Carpentar *(Badhai)*	359,101
Barber *(Naai)*	190,037
Garland maker *(Malakaar)*	171,237

*Data as of November 1.

Source: NSDC

AIPSBOF

Credit culture: What's that?

04.11.2024

Many bankers are complaining about deteriorating credit culture. The villain is farm loan waivers. But some of the NBFCs too are contributing to it

BANKER'S TRUST

TAMAL BANDYOPADHYAY

A few months ago, in the run-up to the general elections, a large bank could not continue with the recovery process of bad loans given to farmers and micro, small and medium industrial units in one region of an Indian state. The recovery agents were denied entry in that region by the workers of a political party. That's not the end of the story. The party even worked out a loan-waiver formula, with the help of a chartered accountant, and circulated it among the borrowers, explaining who wouldn't have to pay how much.

Later, at a state-level bankers' committee (SLBC) meeting, a senior minister of that state told the bankers to start giving loans to farmers without checking their credit score.

SLBC is a body of lenders that work, coordinate and consult each other on banking development and social welfare initiatives in a state. It's part of the Reserve Bank of India's (RBI's) lead bank scheme. There is a lead bank in every district of India. The purpose is to ensure effective and efficient use of banking facilities.

The bankers did not buy the senior minister's idea. They told the minister that if they needed to sanction and disburse loans to farmers without checking their credit score, they would adopt the so-called service area approach (SAA). A prospective borrower would need to collect no-objection certificates from local bank branches as a precondition to get the loan. The SAA scheme was introduced in 1989 to increase productive lending. The banks could stymie the minister's idea after the RBI intervened.

In private, many, particularly in the public-sector banking industry, have been complaining about a sharp deterioration in credit culture. The villain of the piece is farm loan waivers, which often are a promise by different political parties ahead of elections. An IIFL Securities Ltd study estimates the amount waived across 18 Indian states in the past decade at ₹3 trillion. Needless to say, this has spiked the non-performing assets in agricultural loans. Once a loan waiver is announced, even those who can pay have a strong disincentive to service their loans.

In the recent past, after the Telangana government announced a waiver of up to ₹2 lakh of crop loans, farmers of Punjab also demanded a debt waiver. The Telangana scheme, which will benefit 4 million farmers, would cost ₹31,000 crore. Five years ago, in 2019, the Punjab government had announced a crop loan waiver scheme to offer up to ₹2 lakh of relief to small and marginal farmers.

In the run-up to the general elections, a promise for farm loan waivers was in the manifesto of a national party. Its leader promised that the party would waive farmers' loans in Punjab and entire India. He even said a commission would be formed to look into farmers' woes, and their loans would be waived not only once but again and again, whenever farmers would need a waiver.

Since Independence, there have been nationwide farm loan waivers twice. The VP Singh government at the Centre announced the first loan waiver scheme in 1990. Called the Agricultural and Debt Relief Scheme, it waived up to ₹10,000 of loans of 32 million borrowers. The cost of the scheme was ₹7,825 crore. Almost two decades later, in 2008, the Manmohan Singh government announced the Agricultural Debt Waiver and Debt Relief Scheme worth ₹71,680 crore.

Incidentally, the first farm loan waiver in India was announced by a state — well ahead of the 1990 central scheme. Chaudhary Devi Lal-led Lok Dal government in Haryana wrote off loans up to ₹10,000 in 1987. This cost the state government around ₹227 crore.

In the past decade, at least a dozen state governments have announced farm loan waivers, even as the contours of the scheme vary. One particular state waived only the interest, not the principal amount of the loans. Going by a 2023 State Bank of India study, Andhra Pradesh, Telangana, Uttar Pradesh, Maharashtra, Karnataka, Punjab, Madhya Pradesh, Chhattisgarh, Jharkhand and Tamil Nadu announced ₹2.52 trillion of loan waivers in eight years between 2014 and March 2022, benefiting 36.8 million farmers in these states.

Muhammad bin Tughluq (1325-51) is believed to be the first king to grant agricultural loans to farmers to help them fight distress. His successor Firoz Shah Tughluq wrote off these loans as famine and rebellion hit hard.

If the freebies announced in the run-up to the elections to woo voters are supported by budgetary provisions of states, why should bankers worry? After all, money is not flowing out of their coffers. That's what the politicians would say.

Bankers know that such waivers at periodic intervals spoil the credit culture in multiple ways. Once a waiver is announced, even those who have the ability to pay stop paying. Also, borrowers start expecting a repeat in future and stop bothering much about timely repayments. Finally, there is a spillover effect. Once one state announces such a scheme, it affects the behaviour of borrowers in the neighbouring states too.

Indeed, the farmer community can get affected by natural calamities like cyclones, floods, draughts, et al, but making loan waiver an election promise is something bankers cannot stomach.

There is a twist to the tale. While lenders blame politicians, in private, for spoiling the credit culture, some lenders themselves are party to it. The RBI is aware of this and has already taken action against four non-banking financial companies (NBFCs).

I have recently come across this open letter written by the head of a microfinance institution (MFI) to peers. It's an appeal to all MFIs expanding in Andhra Pradesh and Telangana.

This is a heartfelt request to all MFIs eager to start operations in Andhra Pradesh and Telangana. My intention is not driven by personal interests but solely by concern for the well-being of poor households and the long-term sustainability of the microfinance sector. I am not overly concerned about increased competition... However, I see troubling signs that could cause harm to both borrowers and the institutions themselves.

There are clear indications of a looming AP Crisis 2.0. In several locations, including operations by banks, NBFCs, mutually aided cooperative societies, and informal players, there are reports of more than 30 lenders active in a single area. In the aftermath of recent floods and persistent rains, some branches are reporting a portfolio at risk (PAR) as high as 20 per cent. Despite this, I continue to see advertisements in WhatsApp groups from institutions eager to establish new branches in these already saturated areas.

Andhra Pradesh and Telangana, with their higher GDP and per capita income compared to other regions, have seen the microfinance market significantly contract. Every player is competing for the same client, and the lending is happening through "ring leaders". Just recently, one of my branch managers shared an alarming story: When he went to collect an EMI, he encountered 24 motorbikes and 30 MFI staff, all of them collecting EMI from the same ring leader.

Incidents of borrowers approaching local legislators to intervene have escalated, with MFIs being strictly instructed not to enter certain villages. Entire communities have even taken oaths not to repay any MFIs. In several villages, migration is on the rise as people flee amid constant pressure from as many as 10 different MFI representatives. Tragically, there have even been suicide attempts aimed at intimidating MFI staff, and numerous cases of staff being physically assaulted...

This is happening because of the unchecked greed for growth among MFIs. It's time to reflect. Enough is enough. While many of you might choose to ignore these warnings, I urge you to consider the consequences. The last time, the RBI came to our rescue. But this time, we may not have such a safety net.

I leave this to your wisdom and judgement.

Need I say more?

The writer is an author and senior advisor to Jana Small Finance Bank Ltd. His latest book: Roller Coaster: An Affair with Banking. *To read his previous columns, please log on to www.bankerstrust.in X: @TamalBandyo*