



# IBS VIGYAN

## VISIONING BANKERS



### Evangelistically Speaking

Dear Stakeholders,

Let me continue from last month's incomplete collation of Mahatma Gandhi's quotes highlighted by RBI Governor in his monetary policy statements till date.

"If we want to overtake the storm that is about to burst, we must make the boldest effort to sail full steam ahead". ( June 08, 2022)

"For me the road to salvation lies through incessant toil in the service of my country and there through of humanity" (August 05, 2022)

"We are ever wakeful, ever vigilant, ever striving." (September 30,2022)

"Let no one think that it is impossible because it is difficult. It is the highest goal, and it is no wonder that the highest effort should be necessary to attain it. (December 07,2022)

I am reminded of the words of Netaji Subhas Chandra Bose:".....never lose your faith in the destiny of India" ( April 06,2023)

"Inexhaustible perseverance and patience... knows no defeat." (June 08,2023)

"I have no doubt that our country would rise to the greatest height among the nations of the world." (August 10, 2023)

"If we are determined, we shall find the way that leads us to our goal". (October 06,2023)

"If we keep that as our goal, we shall never despond, we shall never weaken; we shall ever go forward". (December 08,2023)

"Progress is absolutely assured whenever there is ..... an unalterable determination."

"I am moving cautiously, watching myself at every step. .... but there is the fixed determination behind every act of mine" ( February 08,2024)

"One must persevere and have patience. Success is the inevitable result of such effort." (April 5, 2024)

"If we are sure of our path ....., we should go on striving for it incessantly and uninterruptedly." (June 07,2024)

"The slightest error of judgment, a hasty action or a hasty word may put back the hands of the clock of progress. Policies have, therefore, to be cautiously evolved." (August 08,2024)

"When the method is good, ... Success is bound to come in the end". (October 9, 2024)

Let me acknowledge the efforts of passionate bond vigilante Shri Ratnam Narayanan of Mumbai in presenting this compendium to all readers.

Looking forward to a sustaining engagement with all.

**Let me wish all a happy and prosperous Diwali.**

Sincerely yours

**Satheesh Kumar. S**  
**Managing Director**

## Curated Cube

What lures Asians to flock to the US, Canada or Australia? Why people in SAARC nations prefer India as a better destination for a living? Why would La Rioja, an Argentinian province in the north west issue a local currency "Chachos" in preference to the nation's pesos that has been losing value continuously? These questions would be partly answered if we delve into the merits of the works of this year's Nobel prize winners for Economics, Dr. Daron Acemoglu, Dr. Simon Johnson and Dr. James A. Robinson. They have postulated how institutions are formed and affect prosperity of nations.

Theories abound about colonialism, plundering of natural resources and labour arbitrage that could be attributed to the disparity in nations' wealth. But this disparity in wealth is what is driving the trans global migration of people. The trio of Nobel Laureates have argued that it is the quality of economic and political institutions in different countries that is reflecting as the divergence in people's wealth. This is linked to "inclusive" and "extractive" institutions functioning in different nations. The jokes that run around of how a citizen in a socialist nation would be disincentivized to produce more milk or a citizen in a capitalist economy would be incentivized to produce all the milk leading to monopoly would reflect on the deep philosophy that these three economists have put forth. Historically, a colonial power like Britain set up extractive institutions in geographies like India and Mexico that characterized larger population or higher mortality rates. This enabled them to enrich themselves from the natural resources quickly. The same Britain fostered inclusive institutions in geographies like USA which have sound democratic processes and refined legal structures that have resulted in better economic welfare.

The political institutions in poorer countries, post-independence, found it convenient to promote extractive institutions for short term and often personal gains.

Even if reforms could benefit everyone in the long run, they didn't trust the population to compensate them for their losses. This is called a "commitment problem" or a situation where the elites don't believe that things will go their way if they give up control. Even if people threaten to revolt, the elites often promise reforms just to calm things down, knowing that they could return to their old ways later. In extreme cases, when the threat of revolution is strong, they may be forced to hand over power and allow democracy. And in all of this struggle, the journey to becoming a richer or more economically developed country just slows down. This explains why India, along with many other once-wealthy nations, is still working to reclaim its lost prosperity.

When Argentinian President Javier Milei chose to usurp wealth for the Centre by slashing federal budget transfers, the political institutions in La Rioja province have been inventive to transact in a local currency within their geographic jurisdiction. The northern part of the city of Nogales is Arizona, USA. The southern half is Sonora in Mexico. These contiguous states have access to the same natural resources. But the quality of the institutions has rendered Arizona distinctly wealthier than Sonora, which boasts of higher crime rate and rampant corruption.

When you realise that the richest 20% of countries today are 30 times wealthier than the poorest 20%, you may be tempted to read more about the works of the laureates!

*(Cube gives a third dimension in geometry. Curated Cube endeavors to conflate events in the market over the past month.)*

### CRASH COURSE FOR CAIIB - BANK FINANCIAL MANAGEMENT

DATE OF COMMENCEMENT - 27/10/2024

Online Zoom Classes, Whatsapp/Telegram support, Recorded Videos & Mock Test Series

## FOURTH PILLAR

**DELEGATED PAYMENTS THROUGH UPI:** As per recent data UPI has a user base of 42.40 crores. RBI is planning to introduce “Delegated Payments” in UPI, which will allow the primary user to set a UPI transaction limit for another UPI user (secondary user) on the primary user’s bank account. This new feature is named as UPI Circle.

**CONTINUOUS CLEARING OF CHEQUES UNDER CTS:** Cheque Truncation System currently processes cheques with a clearing cycle of up to two working days. RBI has proposed to change the current batch-processing to continuous-processing with on-realisation-settlement. Cheques will be scanned, presented and passed in a few hours on a continuous basis during banking hours which will reduce the time from the current T+1 days to a few hours.

**RBI INCREASES UPI LIMIT FOR TAX PAYMENTS:** RBI has been boosting digital payments and facilitating larger payments through UPI. The tax payment upper limit has been increased from the current limit of ₹1 Lakh to ₹5 Lakh through UPI.

**HIGH BACKLOG IN DEBT RECOVERY:** Indian Banking industry is facing a huge backlog in debt recovery, with over 2 lakh cases pending in DRTs. The current rate of resolving cases annually by DRTs stands between 30000 to 40000 cases annually. The recovery rate was 77% during 2005-06 which has significantly dropped to single digit, making it crucial to address the decline. To tackle the issue the GOI is planning to boost the capacity of DRTs and NCLTs and enhancing the performance of IBC to streamline the debt recovery process.

**SHIFT IN HOUSEHOLD SAVINGS:** RBI has observed a notable shift in household savings preference of our country. Savings preferences have been increasing in the capital markets over the traditional banking sector. This change reflects a tilt of investment choices towards mutual funds and other financial instruments by investors. RBI has emphasized the banks that there is a need to explore new methods to manage the gap created by this tilt.

**LGBTQ PERSONS CAN OPEN JOINT BANK ACCOUNT:** The finance ministry has sent a communication to all banks, that there is no restrictions for persons of LGBTQ community to open a joint bank account and to nominate a person in a queer relationship as nominee to their account.

*(Fourth Pillar strives to position beyond the three pillars of Basel and is culled from the Four Estates)*

# INQUISITIVELY SPEAKING

1. As per RBI's Master Directions on Fraud Risk Management in Commercial Banks, the decision to classify an account as red-flagged is made by the individual bank, which must report the status on the Reserve Bank's CRILC platform within \_\_\_\_\_ days:

- a) 10
- b) 7
- c) 5
- d) 3

2. A Bank shall be within its right to suspend the registration of any user and/or customer if their UPI services has not been accessed by them for ..... days or more:

- a) 365
- b) 360
- c) 180
- d) 90

3. Aggregate sanctioned limit of above ₹ ..... crore per borrower from the banking system towards agriculture infrastructure will be classified under Non-Priority Sector.

- a) ₹50
- b) ₹500
- c) ₹150
- d) ₹100

4. A Microfinance loan is defined as a collateral free loan given to a household having annual household income up to ₹ \_\_\_\_\_ lakh irrespective of areas.

- a) 3
- b) 5
- c) 7
- d) 7.50

5. All loan accounts of borrowers where the aggregate liability is ₹ \_\_\_\_ lakh and above, becoming NPA within a period of 12 months from the date of commencement of repayment of either interest or installment in respect of loans/limits sanctioned are called Quick Mortality Loans.

- a) 2
- b) 5
- c) 10
- d) 15

6. The SEBI introduced Artificial Intelligence powered chatbot designed to assist investors with a range of functions of capital market is known as:

- a) SEVA
- b) SEBA
- c) SEAS
- d) SEIH

## ANSWER KEY

1. B    2.C    3.D    4.A    5.D    6. A

## Stretch n Speak

**FETERS:** Foreign Exchange Transactions Electronic Reporting System

**CPFIR:** Central Payments Fraud Information Registry

**REIT:** Real Estate Investment Trusts

**DLAs:** Digital Lending Apps

**LEAs:** Law Enforcement Agencies