



# IBS VIGYAN

## VISIONING BANKERS



### Evangelistically Speaking

**Dear Stakeholders,**

The calendar year is drawing to a close. So also, the certificate examinations of IIBF. As the going gets tough, the tough get going. The enhancement in content and curriculum supplemented by updated reading materials from IIBF must encourage all BFSI professionals to get themselves upskilled systematically.

The bi-monthly monetary policy review of RBI of 8th December held the repo rate unchanged, more on expected lines. Governor Shri Shaktikanta Das emphatically flagged the Committee's apprehensions on inflation remaining elevated owing to geopolitical uncertainties and supply side shocks. However, the US ten year benchmark bond yield has dipped below 4%, bringing with it heightened expectations of accelerated rate cuts across other geographies, including India. The recently auctioned fifty-year tenor bond has gained more than a rupee in price in short time, bringing cheer to Bank heads of reduced mark-to-market provision demands and more profit booking opportunities from their investments.

This month's Curated Cube endeavours to capture the essence of Prof. Arvind Panagariya's speech at the 18th C.D. Deshmukh memorial lecture, which estimates India to be \$ 5 trillion economy by 2026. Effort has been put in to make the column shorn of complex statistics for readers from all backgrounds to assimilate the theme.

In the Fourth Pillar, we bring you the updates on definition of "Bulk Deposit", Waterfall mechanism in appropriating recoveries under Insolvency Code, innovations in the marketplace like numberless cards, Two-in-a-box approach in product delivery and latest guidelines from SEBI on borrowings by Large Corporates.

Banking will keep evolving as it responds to the changes in technology, social structure, geopolitics and structural inequalities. I am reminded of the following verse from Gita.

*na tvevāham jātu nāsam na tvam neme janādhipāḥ  
na chaiva na bhaviṣhyāmaḥ sarve vayamataḥ param*  
(Bhagavad Gita 2:12)

*Never was there a time when I did not exist, nor you,  
nor all these kings; nor in the future shall any of us  
cease to be.*

Similarly, the way money is handled by banks in the years to come may undergo procedural changes, but the basic tenets of banking will remain the same. Let me encourage all professionals to stay aligned with the dynamics of the markets to evolve as true professionals. Looking forward to a sustaining engagement with all.

My sincere New Year Greetings to all.

**Satheesh Kumar. S**  
Managing Director



## Curated Cube

The "Hare and Tortoise" story gives different learning lessons to different people at different points in time. An exact replica of the dynamics at play in this story may not be reflected in the growth of nations in the world economy, but shades of hubris and fatigue can be traced to different economies at different points in time. This can be better understood through a close reading of Prof. Arvind Panagariya's C.D. Deshmukh memorial lecture delivered on 15th December 2023 and carried on RBI's site. Dr Panagariya passionately teaches at Columbia University after being first Vice Chairman of NITI Ayog and being honoured with Padma Bhushan. The lecture drew immensely from his work that led to publishing the book "India Unlimited: Reclaiming the lost glory" in 2019-20.

China overtook India to the top position after 1500 CE. India and China led the world till 1870 CE, as per data in constant dollar terms. According to the learned estimates, which are widely accepted among economists, he foresees China surpassing US economy in the year 2036 to be the world leader. India will become a \$ 5 trillion economy by 2026 and catapult to the third position, pushing behind Germany and Japan. India is projected to push ahead of US economy by 2072 CE, which will be the 125th year after India's independence and 200 years from the old normal of 1870s when we were leading the world along with China.

Dr Panagariya's projections are rafted on the following surmises:

1. Democratic polity
2. Current low per capita income
3. Large, young workforce
4. Global favours – Chinese fatigue
5. Sustaining pro-market reforms

He aspires for a strategic shift from the larger share of small enterprises to large and medium economic units to hasten the growth. Though India benefits from highest agricultural land area to total land area, the per farmer holdings are tiny in comparison to large economies and therefore farmers are deprived of benefits of scale. He bases on 2011 census to reflect that close to 70% of the population lives in rural areas. The expected rise in per capita income should bring with it upskilling of rural labour.

He estimates USA to retain the average growth of 2.1% recorded for past two decades in the coming two decades while China could be growing at 5% in first decade and at 3.5% in the following. India is anticipated to be growing between 6.5 to 7%, all in constant dollar terms. He has flagged aging population, resistance to immigration and favouring protectionism as some major pullbacks to US economy.

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

### **JAIIB/CAIIB NEW BATCHES - MAY/JUNE 2024**

**JAIIB FROM 03/01/2024 & CAIIB FROM 17/01/2024**

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





## FOURTH PILLAR

**WATERFALL MECHANISM:** Under the Insolvency & Bankruptcy Code, once the liquidation process is complete, the proceeds from the sale of assets are distributed among the creditors as per Waterfall mechanism u/s 53 of the IBC 2016. Waterfall mechanism means the distribution of proceeds will be in the manner of priority listed u/s 53.

**BULK DEPOSIT CLASSIFICATION:** Bulk deposit means single Rupee term deposits of ₹2 crores and above for all Schedule Commercial Banks & Small Finance Banks (excluding RRBs). RBI has recently changed the definition of bulk deposit for RRBs where any single Rupee term deposits of ₹1 crore and above, which was earlier ₹15 lakh and above.

**FIRST NUMBER LESS CREDIT CARD:** India's first-ever number less credit card was launched on 10th Oct 2023, by Axis Bank, with the partnership of Fibe. The credit card does not have any card number, expiry date or CVV printed on the plastic card. This feature adds an extra layer of security for cardholders, by reducing the risk of identity theft or unauthorised access to cardholder's card details ensuring absolute security and privacy. The card is powered by Rupay, which allows the cardholder to link it to UPI.

**TWO-IN-A-BOX APPROACH:** Kotak Mahindra Bank has initiated an innovative digital banking service with the aim of delivering 'Amazon-like' customer service. Following Amazon's three pillar formula of customer service; Kotak bank stated that the first pillar promises to offer an Amazon-like experience, second pillar focuses on enhancing the employee experience by providing them with right tools and systems, and the third pillar emphasises on increased productivity for the bank.

**SEBI EASES NORMS FOR LARGE CORPORATES:** To meet their financial needs from the Debt market, SEBI has mandated the following: (i) Large Corporate definition is proposed to be eased by raising the threshold for the outstanding long-term borrowings from the existing ₹100 crores to ₹500 crores for identifying any entity as Large Corporate, (ii) Large Corporates can now meet 25% of their financial needs from Debt market, and (iii) The earlier penalty clause for not able to raise a certain percentage of incremental borrowing from the market is being proposed to be removed.

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





## INQUISITIVELY SPEAKING

1. In terms of extant guidelines, banks have been permitted to offer domestic term deposits without premature withdrawal option, provided that all Term Deposits accepted from individuals for an amount of ₹15 Lakh and below shall have premature withdrawal facility. Now, RBI has advised that all domestic term deposits accepted from individuals for amount of ₹\_\_ crore and below shall have premature withdrawal facility.

- a) 0.5      b) 1.0      c) 1.5      d) 2.0

2. RBI has decided to increase the monetary ceiling of gold loans that can be granted under the bullet repayment scheme from ₹2 lakh to ₹\_\_ lakh for such UCBs, who have met the overall PSL target and sub targets as on March 31, 2023.

- a) 2.5      b) 3      c) 4      d) 5

3. As per the extant guidelines, the subscribers post 60 years/ superannuation can defer availing of annuity and withdrawing the lump sum on any combination till 75 years of age. The subscribers are now allowed to withdraw up to \_\_\_\_ of their pension corpus, through the Systematic Lump Sum Withdrawal (SLW) on a periodical basis viz. monthly, quarterly, half-yearly or annually for a period till 75 years of age as per the choice at the time of their normal exit.

- a) 40%      b) 50%      c) 60%      d) 80%

4. Central Vigilance Commission recently observed Vigilance Awareness Week 2023 from October 30th to November 5th, with the theme \_\_\_\_\_:

- a) Say no to corruption; commit to the Nation.  
b) Corruption free Bharat  
c) Say no to corruption; commit to the Bharat Mata  
d) Commit to eradicate corruption

### ANSWER KEY

- 1.b      2.c      3.c      4.a**

## Stretch n Speak

**UDGAM: Unclaimed Deposits – Gateway to Access Information.**

**CALCS Model: Capital Adequacy, Asset Quality, Liquidity, Compliance and Systems model.**

**SRVA: Special Rupee Vostro Account**

**KYDFA: Know Your Digital Finance App.**

**RDG A/c: Retail Direct Gilt Account**

