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CHAIRMAN OF BANKING AND INSURANCE COMMUNIQUE-APRIL 2020



“Strength and growth come only through continuous effort and struggle”-Napolean Hill

I start my column with a heavy heart filled with pain and anxieties on the emergent situation due to the onslaught of COVID-19. The nightmare of Corona Virus, an invisible demon, has virtually engulfed human civilization in totality and threatened to stop wheels of human life to a grinding halt. This is a crisis world never expected to encounter even in its remotest dream and the most people in this generation never experienced it earlier. The inexperience and ignorance on the part of most countries and their citizens to gauge



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the lethality of the virus and failing to take precautionary measures in time, certainly lend a lot to this sudden outbreak. UN secretary general Antonio Guterres has described the coronavirus pandemic as the worst global crisis since World War-II. So much so its venomous impact that most developed countries in the world over with their state-of-the-art technology and robust medical system are struggling frantically to rise equal to the occasion.

Given the scenario, by this time, most of us have been flooded with advisories of dos and don'ts all aiming at limiting the spread of the virus. The social distancing or physical distancing and hygiene consciousness have been the basic mantras to avert the onslaught of the virus and consequent to that the inevitable 'lockdown' that our country is presently passing through has come up like many other countries in the world.

While the advice of 'social isolation' being most priority at this crucial time to avert the menace, we cannot simply overlook the other side of the coin. The detrimental aspect of this lockdown not only in terms of its financial debacle but also in terms of its psychological impact in the minds of its citizens who are left indoors killing time idly remains unmeasurable. The question gets a separate dimension in a country like ours where thousands of persons are below poverty line, working in unorganized sector and inevitably losing their jobs and living in temporary shelters at this trying time. Though the government is rolling out large stimulus packages for their betterment, it might not expunge the feeling of uncertainties in their minds completely. Deep sense of insecurities embedded in the minds of the majority of people is no less than a menace of Covid-19. It impacts on their health and have a lasting disastrous effect on the economy ultimately. It takes more time to recover much depending on how quick, recovery of our economy



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takes place. But can our economy gather required momentum to bolster up in near future? A moot question indeed!

Covind-19 being pandemic has created devastated impact on economies of almost all the countries in the world let alone ours. As United Nations apprehended, the global economy could shrink by up to 1 percent in 2020 due to this pandemic which is disrupting global supply chains and international trade. UN DESA's (Department of economic and social affairs) World economic forecasting model has estimated best and worst-case scenarios for global growth for 2020 in view of rapidly changing economic conditions. In best case scenario it has opined global growth would fall to 1.2 percent and in the worst case scenario, the global output would contract by 0.9 percent instead of growing by 2.5 percent in 2020 as estimated earlier. The severity of the economic impact will largely depend on two factors - the duration of restrictions on the movement of people and economic activities in major economies; and the actual size and efficacy of fiscal responses to the crisis. UN chief economist and Asstt. Secretary General for Economic Development Elliot Harris said that collective goal must be a resilient recovery which puts the planet back on a sustainable track. "We must not lose sight how it is affecting the most vulnerable population and what that means for sustainable development."

As at this juncture it is difficult to say with precision how long this emerging inhibitions continue, there remains a variance in growth rates of different countries forecasted by various rating agencies taking different assumptions; but one similarity is evident in all of their forecasts that there will be a serious downfall in economical fronts of almost all countries. The magnitude of the holocaust depends on the size and time of economic responses of the respective government and their actual efficacy in terms of securing the



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people they are meant for, boosting up demands, production, employment and ultimately setting towards a path of recovery.

Against this backdrop, if we look into our country we can see some fiscal and monetary initiatives have already been taken by our Government and RBI. On fiscal front, the finance minister, Smt.Nirmala Sitaraman has announced a comprehensive package of 1.70 lakh crore, covering cash transfers and food security for vulnerable sections of society including farmers, migrant workers, urban and rural poor, differently abled persons and women along with insurance cover for frontline medical personnel. This package is not conclusive as the finance minister opined to gradually address to the needs of the situation extending other areas. In fact, the distressed businesses across all sectors especially the MSMEs are facing severe financial and liquidity constraints because of disruption of supply chains, statutory payments and for many other reasons and badly require fiscal and monetary stimulus. Realizing that the RBI has preponed its monetary policy and has taken a number of enabling steps to fulfil its declared objectives that inter-alia include i) expansion of liquidity sufficiently in the system to enable financial market and institutions to function normally ii)to reinforce monetary transmission to ensure bank credit flows to the sectors affected by the pandemic on easier terms iii)to ease financial stress caused by Covind-19 disruptions by relaxing repayment pressures and improving access to working capital and iv) to endeavor for improving the functioning of markets that experience high volatility with the onset and spread of the pandemic. The measures announced by the RBI are many like the reduction of repo and reverse repo rate, reduction of CRR, increasing accommodation in Marginal Standing Facility, conducting auctions of targeted term repos upto three years tenor of appropriate sizes apart from different steps to mitigate burden of debt servicing like allowing three months



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moratorium on term loans, deferring interest payments on working capital, easing of working capital financing, deferment of implementation of net stable funding ratio etc. All these policy measures will certainly alleviate the impending stresses provided the reliefs envisaged transmit to the intended areas in ground level quickly and rapidly and inflation remains within control. The total financial value is Rs.3.5 lakh crore (approximately).

Again, with the onset of financial year we hope the new merged Public Sector Banks will provide better facilities and can compete and fulfill their dual objectives of public welfare and infrastructure development with lesser NPAs and better holistic management so that the shareholders interest and consumers interest are preserved to the highest level of protection and care.

Having said that a concern is looming large that the banking and financial sectors of the country might have to suffer from a fresh bout of NPAs due to the rapid spate of delinquencies on the part of the household, business and corporate houses who suffer immensely for this virus assault. Whether this will stint the growth of bank credit or not is a grave question. Smooth credit flow is one of the basic ingredients for recovery of economy .With this apprehension, rating agency Moody, meanwhile, revised the outlook on India's banking system to negative along with 12 others in the Asia-Pacific region.

The Insurance Sector may also suffer due to default of payment of premiums in growing number of cases and lower uptake of new insurance policies. But there is some silver lining also. Insurance sector in general and health insurance sector in particular might see a fillip as people will understand the importance of Insurance and coverage for their protection against such pandemic and since the lockdown has necessitated availing of online services only by the consumers, a rush for online sales is expected that will be evident when the sales figures comes through. Though the health insurance premiums



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are regulated but the health care rates are not regulated despite the drugs and treatment procedure are same. We hope that IRDA and Govt. would look into this as an economic stimulus to boost health insurance sector. The servicing through digital mode will be enhanced as the Companies are operating through online mechanism only. Also, we would see a rapid stride in the process of digitalization of services in these times as the claim resolution process will be all digitally done without least manual intervention. The investment towards creating a digital platform will only enable the Companies cope up with the rising claims settlement process.

It is no denying that to tame this exponential contagion of Covid -19, research and intellectual wings of all countries in private and public sectors are tirelessly engaged to find out a solution. The need of the hour is to start the act of resolve, resilience, return, re-imagination and reform. The takeaways of the crisis have made us believe that the safeguarding of the lives and livelihoods of all inhabitants on earth is epitome and imperative at the prevailing time. As we know that the aftermath of any such crisis is wide scale bankruptcies, unemployment and financial distress and we have to keep our fingers crossed till a vaccine is invented which will check the spread of the virus.

Moreover, we have to be doubly careful so that it does not recur.

In our country, the pandemic has unearthed the various fragilities in our medical and healthcare system that triggered enormous anxieties and hurried redressal measures. This should give us a lesson to uplift our medical system to a befitting level to handle the spurt of eventualities of this sort in future.

In the organized sector also, the industries should set up programme to support and protect its employees on a priority basis. The Companies should be vigilant to enable



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morale building and expectation setting in this changed environment. They should have a plan to think the next horizons of COVID-19 and accordingly plan the next phase.

The organization should have five sets of action including workforce protection, supply chain stabilization, customer engagement, financials stress testing and nerve centre integration as stated by McKinsey in their report for Covid-19.

We are hoping that we get a better day where the impact of such casualties will taper down and the virus will be arrested by better protection and proper care.

We on behalf of our Committee and also being a responsible organ in the financial and accounting fraternity cannot just be oblivious of our role to the society in this crucial time.

While it is a privilege of our Central committee to decide on the gamut, shape and dimension of our services to the Government and business communities at large, we on behalf of Banking and Insurance committee can initiate some baby-steps which we may ponder over and feasible suggestions from the learned members in this respect are welcome. To me, immediately as a branch of national academia, we can act as a knowledge facilitator. We have already emphasized the need of the hour is to transmit the fruits of the stimulus packages declared by our Government and RBI to the distressed sectors and households at the earliest possible time to avert financial and psychological debacle, to promote resilient recovery and achieve sustained development. Many of the small business houses who cater to the livelihood of a bunch of employees and deeply strained may not be aware or conscious of the freebies and facilities awarded to them. We can hold meetings/seminars/discussion with these business entities in small groups preferably with a tie-up of different Chambers of Commerce, welfare organizations and government bodies of various states in order to have a wider reach to the maximum number of people. We can make a small start once the spell of lockdown is over and as



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the process gets progressed, the new vistas will be opened and ideas would come up and we can ramify and develop our programmes accordingly.

We on behalf of our Committee are eager to provide knowledge dissemination through an array of facilities like providing technical webinars for the members, providing updates on Banking and Insurance Sector through updates in our portal, launch of BFSI chronicle and host of other measures where the members can be apprised about the huge scope the BFSI garners for their professional pursuits.

The following webinars has been conducted by the Banking and Insurance Committee for the month of March, 2020:

Sl. No.	Topic of the Webinar	Date and time	Speaker Name
1.	Role of CMAs in Banking Sector	09.03.2020 5 pm to 7 pm	CMA Mohan V Tanksale, Former Chief Executive of Indian Banking Association and Former CMD of Central Bank
2.	Overview of Credit Management of Commercial Banks	11.03.2020 4-30 pm to 6-30 pm	Shri Prabir Kumar Dutta, Former General Manager, United Bank of India
3.	Trade Receivables Discount Scheme (TReDS)	12.03.2020 4-30 pm to	CMA Dr.P. Siva Rama Prasad, Former AGM,



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		6-30 pm	SBI
4.	Enterprise Risk Management - A Strategic Imperative for Organizational Sustainability	28.03.2020 4-30 pm to 6-30 pm	CMA Delzad D. Jivaasha, Associate VP- Enterprise Risk Management & Finance of ICICI Lombard General Insurance Co.Ltd.

The following webinars which have been confirmed for the month of April, 2020:

Sl. No.	Topic of the Webinar	Date and time	Speaker Name
1.	GST on Bank and Insurance sector	11.04.2020 12 to 1 pm	CMA Susanta Saha, Tax and Management Consultant
2.	Audit of Health Insurance Companies on 12th April, 2020	12.04.2020 11 am to 12 pm	CMA C. Veeraraghavan, Former Dy.Accountant General of C & AG of India

The Banking and Insurance Committee is in the process of creating a database of CMAs working/worked in Banks, NBFC, Micro Finance Institutions, Insurance and Capital Markets. Kindly help us to connect with those CMAs by way of providing name and the details along with their details as per the template mentioned below:



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Sl. No.	Particulars	Details
1.	Name of the Members	
2.	Working in	
3.	Post	
4.	Place	
5.	Membership No.of the Institute	
6.	Member of any other Institutes	
7.	Area of Expertise	
8.	Area of Interest for contribution in Banking and Insurance Committee	
9.	Email Id	
10.	Phone NO.	
11.	Two CMAs working in BFSI with contact details	

Please email the details to bi@icmai.in for a repository of the databank for members serving in BFSI sector.

As you might know, our committee planned to hold a ‘National Banking and Insurance Summit’ in Mumbai sometime in May. But due to present situation we are shelving the proposed programme for the time being until the situation stabilizes. We propose to hold it in some convenient time later.



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We earnestly crave for the well-being for our esteemed members in this trying time. Let us remain safe and happy within the confines our home passing quality time with our family members.

Thanks and Regards,

CMA Chittaranjan Chattopadhyay

Chairman,Banking and Insurance Committee