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PARADIGM SHIFT IN INDIAN BANKING SECTOR

SPECIAL INTERVIEW

SHRI INJETI SRINIVAS, IAS
Secretary, Ministry of Corporate Affairs
Government of India

BANK

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The Institute of Cost Accountants of India

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (erstwhile The Institute of Cost and Works Accountants of India) was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.

On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.

It has since been continuously contributing to the growth of the industrial and economic climate of the country.

The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

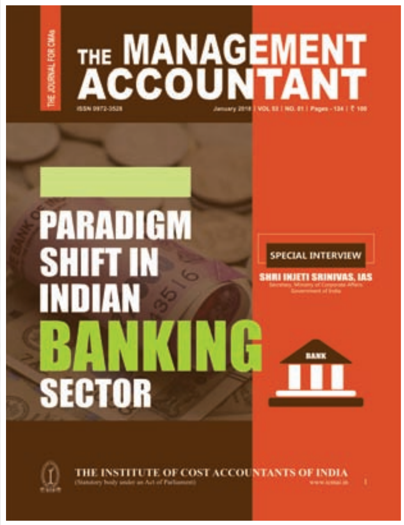
VISION STATEMENT

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

IDEALS THE INSTITUTE STANDS FOR

- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

Behind every successful business decision, there is always a ***CMA***



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INSIDE COVER STORY

CONTENTS

The Management Accountant, official organ of The Institute of Cost Accountants of India, established in 1944 (founder member of IFAC, SAFA and CAPA)

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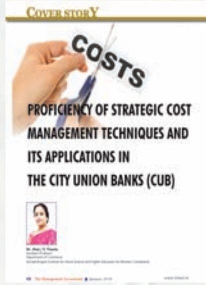

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EDITORIAL

Greetings!!!

Happy New Year 2018!!!

The Indian banking sector has mirrored the country's gradual emergence as an economic powerhouse over the last two decades. In fact, banks have played a key role in catalyzing and enabling growth in the Indian economy. Till 1990s, the financial sector was focused on lending to the industrial sector. Over the last decade, the favourable demographics and low penetration of financial services offered immense opportunities for the Indian banking sector in catering to the financial services needs of individuals and households. The sector has undergone a transformation over the last two decades, with the adoption of technology, development of new products and creation of alternate banking channels to serve customers.

Today, Indian banking needs a new framework which can balance the demands of market forces and need of safety, stability and soundness of operations. Nowadays, apart from being socially responsive, banks are expected to prove themselves as commercially viable as well. This shift in expectations has put a new dimension of banking operations. The policymakers are keen to enhance the resilience of banking setups to endure future crises and resonates domestic bearings with international trends.

As banking sector represents a part of the financial sector, it is necessary to have effective provision of services to meet the economic challenges for the faster economic growth. To meet the adverse situation in banking, several committees have been appointed to suggest certain measures to overcome the weakness of the concerned sector in India and they have suggested banking sector reforms including M&As in the banking industry as a measure to strengthen the ability of the banks.

The payment eco-system in India is gradually moving from a purely cash and cheque-based scenario to electronic payments. Debit cards and credit cards facilitates online electronic payments at the ease of customers and faster mode of payment. Uses of credit cards enable the customers to "Use first and pay later". Banking sector has realised remarkable growth in the use of credit cards and debit cards as means of payments by the customers in new phase of this sector.

Indian banking sector is poised with efficacy for robust growth which will play a pivotal role in flourishing Indian economy. With the potential to become the fifth largest banking industry in the world by 2020 and third largest by 2025 according to KPMG-CII report, India's banking and financial sector is expanding rapidly. The Indian Banking industry is currently worth Rs. 81 trillion (US $ 1.31 trillion) and banks are now utilizing the latest technologies like internet and mobile devices to carry out transactions and communicate with the masses.

In the coming years, the Indian Banking stage is set by the introduction of Goods and Services Tax (GST), emerging futuristic Digital Banks and revisions to Risk Management approaches. The proposed "The Financial Resolution and Deposit Insurance Bill, 2017" (FRDI Bill) expected to be tabled in the upcoming winter session of Parliament would seek to create a framework for resolving bankruptcy in financial firms (such as banks and insurance companies), as there is no specific law at present in India for resolution of failures of financial services providers. The Bill establishes a 'Resolution Corporation' to monitor financial firms, anticipate risk of failure, take corrective action, and resolve them in case of such failure. The Corporate will also provide deposit insurance upto a certain limit, in case of bank failure.

This issue presents a good number of articles on the cover story theme 'Paradigm shift in Indian Banking System' by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

Cover stories on the topics given below are invited for 'The Management Accountant' for the four forthcoming months.

Theme	Subtopics	
February 2018 Transforming Energy Sector	✦ Game Changers & Trends in Energy Systems ✦ Power & Utilities scenario ✦ Conventional vs. Non-conventional power	✦ Power Generation & Distribution ✦ Present industry challenges ✦ Government Initiatives ✦ Role of CMAs
March 2018 Fair Value Accounting: Changing Contour of Financial Reporting in India	✦ Corporate Reporting & Accounting Standards ✦ Financial Instrument Measurement through Fair Value Accounting ✦ Fair Value in Service Sector	✦ Fair Value Accounting and Auditing Standards ✦ Fair Value Accounting for Mergers and Acquisitions ✦ Role of CMAs
April 2018 Capital Market & Derivatives	✦ Mechanics and Valuation Basics ✦ Pricing and Market Risk ✦ Economic function of the Derivative Market	✦ Financial Reform and Government Regulation ✦ Financial Derivatives under GST ✦ Role of CMAs in Capital Market
May 2018 Foreign Trade Policy of India	✦ From Import Substitution to Export Promotion: The Evolution of Foreign Trade Policy of India ✦ The Foreign Trade Policy of 2015 – 2020 ✦ Trade Agreements and India's Foreign Trade	✦ Export Incentives and its Role in India's Foreign Trade ✦ Implication of GST on Foreign Trade Policy ✦ Role of CMAs

The above subtopics are only suggestive and hence the articles may not be limited to them only.

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport-size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for publication anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st of the previous month.

Directorate of Research & Journal
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"Work must be done with detachment. It is the ego that spoils work and the ego is the centrepiece of most theories of motivation. We need not merely practice a theory of motivation but a theory of inspiration."

-- Bhagavad Gita

CMA SANJAY GUPTA
President
The Institute of Cost Accountants of India

My Dear Professional Colleague,

Namaskaar!!!
Wishing you a very happy new year 2018;

On the occasion of New Year, I extend my warmest greetings and best wishes to all the Students, Members, Officials and all those associated with the Institute. A fresh new year is once again welcoming us. It's the time to be thankful for the blessings of the past year and to take stock of all our achievements. Let the New Year 2018 is a brand new year to start afresh, to start strong, and yet another chance to do everything we want to do this year in a better way than last year. As we celebrate the end of one year and the beginning of another new year, we must look back on this year with the knowledge that brighter days are ahead of us and that although our challenges are great, each of us has the courage and determination to rise up and meet them. I take this opportunity to wish you that the New Year bring progress and prosperity to our professional life. Let us unite to build an India of our dreams and pledge to make our beautiful country clean and pollution free. May the New Year be an occasion to make a fresh beginning and renew our resolve for individual as well as collective growth. Let us inculcate in ourselves love, compassion, tolerance and hard work towards creating an inclusive society where peace and harmony shall prevail.

Looking back I have mixed feeling that we were able to overcome many challenges together however some tasks are still in work in progress. I have been extremely fortunate to have a excellent team with me to carry the mandate entrusted upon me. I am aware of the fact that what we have achieved is not sufficient and many more are yet to achieve. I require your full support and cooperation as always.

The economic reform is gradually transforming our culture and self-image. The transition of the Indian economy and the process of economic liberalization in India has a long-term perspective. Most of the sectors are in the process of reforming. One such case in point is the Banking sector which has open enormous challenges and opportunities for CMAs. Our Institute is exploring such opportunities

Paradigm Shift in Indian Banking System

The Indian banking system has seen a complete transformation during the last two decades, in sync with the progress made by the real economy. There has been a paradigm shift in the offerings made to the consumers. The expectations of tech savvy customers have increased manifold in last few years. Net Banking, digital wallets, mobile banking apps is the way of life of such customers who move around without any hard cash in their pockets. After the effect of demonetization, digital cash has been the hotcake among the citizens of India. Digital cash and online transactions in the current market scenario have a great effect on e-banking and digital banking. E-banking comprises mainly of electronic funds transfer and usage of online banking services. Emerging technologies will certainly take Indian banking to the next level in near future. The growth of the banking system and its pivotal position in the country's financial architecture implies that the banks cater to a whole host of diverse stakeholders who have equally diverse expectations. The success of individual banks and of the banking system as a whole depends on how well these stakeholder expectations are met. Some of the problems currently facing the banking industry bear their genesis to banks' inability to align their business operations with stakeholder expectations.

Productivity and Efficiency: Banks play the critical role of financial intermediation by performing the task of maturity and risk transformation, besides providing payment and settlement services. In order to effectively perform these functions, banks need to ensure that they maintain high levels of productivity and efficiency in their operations. Indian banks need to improve both, allocational and operational efficiency, so that the financial intermediation function is effectively performed. This would include reengineering of all critical products and processes by leveraging on innovative technology-based solutions, while retaining a strong customer-centric focus.

Financial Consumer Protection and its Linkage to Risk Management Function: Financial Consumer Protection has emerged as a key area of supervisory focus globally. The global financial crisis has highlighted the vulnerability of the consumer class, which has been worst hit in the crisis. The key feature of the exploitation has been the discriminatory, non- transparent and illogical pricing which has affected the poor and vulnerable consumers most emphatically. In this context, I would like to highlight some important aspects of consumer protection and risk management that banks need to imbibe in their business processes. Pricing of asset and liability products should be transparent and non-discriminatory. At a minimum, it must be ensured that poor do not subsidize the provision of banking services to the rich. Apart from this, the business operations of banks should be customer-centric in nature. This should be reflected in all aspects of banking operations including creation of customized products and services, pricing of services, delivery channels, etc. Banks should, inherently, be flexible in their operations so that they have the ability to meet the evolving stakeholder expectations.

Banks should be able to appreciate the risk-return trade-off involved in various activities. The culture of efficient risk management needs to be imbibed in the organization's ethos so that everyone from the top management to frontline managers in the field shares a common vision of risk management. A key related issue is the integrity of MIS in banks. Each bank claims to be oriented towards its customers. But, I have a simple poser. Are the banks aware of the number of customers they have? I am not referring to the number of accounts but the actual number of customers that the bank serves across all business verticals by offering different products. Moreover, most of the banks do not have a system of working out activity wise costs and returns. Unless banks know the return on each and every product, they cannot arrive at a truly risk based pricing.

These challenges have opened opportunities for professional CMAs and here Cost Accountants can play a very vital role in working out activity wise costs and returns on each and every product.

Role of Cost Accountants in Banking Sector

Cost Accountants are considered by Banks for Stock Audit, Debts Audit, Risk Based Internal Audit, Concurrent Audit, Forensic Audit, Implementation of Ind -AS, Implementation of Goods & Services Tax, Certification of various documents and other Banking Operations. Indian Banks Association (IBA) included the Institute of Cost Accountants of India in a committee named "Independent Evaluation Committee (IEC)" in pursuant to Reserve Bank of India (RBI)'s concern about the raising levels of NPAs. IBA also included the Firms of Cost Accountants in the eligibility criteria for empanelment of Forensic Auditor for frauds in the Banks. Ministry of Finance, Department of Financial Service directed banks to include the Cost Accountants for strengthening the team of Inspection & Internal Audit Department. Government of India, various State Governments, Banks, Public Sector Undertakings and Private Sector organisations have recognized the Cost Accountancy qualification awarded by the Institute for the purpose of appointment to superior posts like Chairman & Managing Director, Managing Director, Director Finance, Executive Director (Finance), Chief Financial Officer and Financial Advisors, etc. Cost Accountants in practice are recognized under Regulation 11 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 for valuation of capital instruments of an Indian company and also under Schedule 2 - Purchase/ Sale of capital instruments of a listed Indian company on a recognized stock exchange in India by Foreign Portfolio Investors and Schedule 6 - Investment in a Limited Liability Partnership (LLP) for valuation on an arm's length basis as per pricing methodology. CMAs can thereby facilitates the mobilization of investments, fostering investors' confidence, reduce corruption and mismanagement of resources and can revitalise the entire Banking sector in the Country on an on-going process.

Directorate Of Advanced Studies

I am delighted to announce four new Advanced Studies Courses in this New Year, viz.

- Executive Diploma in Business Valuation
- Executive Diploma in Cost & Management Accounting for Engineers

- Certificate Course in Arbitration
- Certificate Course in Goods & Services Tax

All the courses are very much pertinent as well as updated to cope up with the changing business scenario in the context of Indian and Global economy. The Board of Advanced Studies will launch series of New Courses in due course of time. You may visit the newly launched Advanced Studies Web Portal for updates and details about the Courses. I wish grand success of all the Courses.

International Affairs Department

• Institute's representative as Vice-President, SAFA

I am happy to announce that CMA Dr. PVS Jagan Mohan Rao, Central Council Member has been unanimously elected in the Council Meeting of the Institute held at New Delhi on 20th December, 2017 for the position of Vice President of South Asian Federation of Accountants (SAFA) which is an apex body of SAARC, to take over with effect from 1st January, 2018.

SAFA is an international body of Cost & Management Accountants and Chartered Accountants in the SAARC Region. SAFA as a forum of professional accountancy bodies is committed to positioning, maintaining and developing the accountancy profession in South Asian Association for Regional Co-operation (SAARC) Region and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region.

CMA Dr. Jagan Mohan Rao is already holding position of Chairman of Professional Accountants in Business (PAIB) Committee of SAFA and a Member of PAIB Committee of International Federation of Accountants (IFAC) from India.

• Meeting with Executive General Manager, CPA Australia

I wish to inform the members that I along with CMA (Dr.) I Ashok, Chairman- International Affairs & Sustainability Committee and CMA P. Raju Iyer, met with Mr. Robert Thomason, Executive General Manager, CPA Australia on 4th December, 2017 at Delhi Office of the Institute and discussed about possibilities of mutual recognition of the professional qualifications and professional development programmes offered by each Institute.

Insolvency Professional Agency Of Institute

On 8th December, 2017, I attended 1st meeting of Insolvency Law Committee to examine the suggestions received regarding Insolvency and Bankruptcy Code, 2016 and other related matters called by Ministry of Corporate Affairs at New Delhi.

Membership Department

The month of December 2017 witnessed the addition of 302 new Associate Members and 47 advancements to Fellowship and I take this opportunity in the New Year to congratulate and welcome all.

I request all practicing members to renew their Certificate of Practice for the FY 2018-19 well in advance, for which an advisory will be available in the member's section of the website soon for general guidance to CoP holders.

Professional Development And CPD Committee

I sincerely appreciate our Regional Councils and Chapters for organizing more than 50 programs, seminars, webinars and discussions on the topics of professional relevance and importance for the members such as, Goods and Service Tax, Supply Chain Management, Valuation Rules as per Companies Act 2013, Anti-Dumping Duty, Stock Audit and the Companies (Cost Records and Audit) Amendment Rules, 2017, The Insolvency & Bankruptcy Code-2016 -An opportunity to CMA Profession, Managing Risk and Compliance For Achieving Growth, Competition law for CMAs, **Registered Valuers: New Opportunities for CMAs'** and so on. Further, most of the presentations made during these programmes and recorded webinars can be viewed by the members of the Institute at: *http://icmai.in/Knowledge-Bank/*

• PSU's Confluence for New India by ASSOCHAM

ASSOCHAM organised its Confluence on "New India Confluence for Public and Private Enterprise-Governance, Risk & Compliance" on 15th December, 2017 at New Delhi wherein the Institute was the "Institutional Partner". I was invited to address the delegates during the Inaugural Session of the event.

• Representation with Government, PSUs, Banks and Other Organizations:

PD Directorate is sending representation letters to various organizations for inclusion of cost accountants for providing professional services. Leading organizations like, Uttarakhand Power Corporation Limited, North Eastern Electric Power Corporation Limited, CIDCO, REC Power Distribution Corporation Ltd, Hutti Gold Mines Co Ltd., Bihar Medical Services & Infrastructure Corporation, and Indian Institute of Technology (IIT) Kharagpur included CMA profession in their Tenders/EOIs in the month of December.

• Special Interaction with the Members of the CII National Committee for CFOs

Confederation of Indian Industry (CII) has invited me for a Closed door Interaction with the Members of the CII National Committee for CFOs on 12th December, 2017 at Mumbai. The Committee seeks to focus in strengthening the linkage of the industry with Institute and work towards the development of young / aspiring Cost Accountants, who wish to build their career in the Industry.

- 90th Annual General Meeting of FICCI

I attended the 90th Annual General Meeting of FICCI held at New Delhi on 13th December, 2017.

- Competition Commission of India

In continuation of our collaborative activities with Competition Commission of India (CCI) ,the Institute organised a ' Session on Competition Law and related issues at Mumbai on 8th December 2017.The deliberations by Senior Officials from CCI were well received and appreciated by the participants.

Technical Directorate

- Exposure Draft of CAS-4 (Revised 2017):

I wish to inform that the Cost Accounting Standards Board in its 90th meeting held on 12th December 2017 has approved the release of Exposure Draft of Cost Accounting Standard – 4 (ED-CAS-4) (Revised 2017) on Cost of Production or Acquisition or Supply of Goods or Cost of Provision of Services for public comments. The ED-CAS has already been hosted on the website. Last date for submitting comments on the ED-CAS is 16th January 2018. I urge all the members, in particular the Practicing Members, to go through the ED-CAS and submit their suggestions to the CASB Secretariat so that the Standard could be finalised in the light of those comments.

- Guidance Note on CAS-13:

I am happy to inform that the Cost Accounting Standards Board in its 90th meeting held on 12th December 2017 has approved the release of Guidance Note on Cost Accounting Standard – 13 (CAS-13) on Cost of Service Cost Centre. The Guidance Note was finalised by the CASB in light of the comments received from public. The Guidance Note will be hosted on the website very shortly. I am sure that the Guidance Note will be helpful to the members in understanding the principles and methods of classification, measurement and assignment of cost of Service Cost Centre for determination of cost of product or service and presentation and disclosure in cost statements.

- Companies (Cost Records and Audit) Amendment Rules, 2017:

Ministry of Corporate Affairs notified the Companies (Cost Records and Audit) Amendment Rules, 2017 on 8th December 2017. The amended Rules were issued by the Ministry of Corporate Affairs pursuant to implementation of Ind-AS. The draft Rules were modified by the MCA based on the suggestions of the Institute and general public. It is pertinent to mention that the amended Rules are applicable to all the Companies covered under the Companies (Cost Records and Audit) Rules, whether the Indian Accounting Standards (Ind-AS) are applicable to them or not. The Cost Rules (updated till 2017) are available on the PD Portal of the Institute's website.

Taxation Committee

CMA Niranjan Mishra, Chairman- Taxation Committee along with CMA (Dr.) I. Ashok, CCM, and CMA V.S. Datey, CMA Mryutunjaya Acharjee, CMA Ranjan Talwar, as Institute's Representative attended the Pre-Budget meeting for Union Budget 2018-19 under the chairpersonship of Shri Arbind Modi, Member (CBDT), Department of Revenue, Ministry of Finance, held on 12th December, 2017 at North Block, New Delhi.

Activities At Regional Councils & Chapters

- Annual Seminar 2017 by Durgapur Chapter

I am pleased to share that I was invited by Durgapur Chapter as a Chief Guest of their Annual Seminar on the theme "Transforming India" organised at Durgapur on 17th December 2017. My council colleagues CMA Manas Kumar Thakur, CMA P.V. Bhattad, CMA Niranjan Mishra, CMA Amit Anand Apte and Shri Sushil Behl also graced the occasion.

- Career Counselling Programme by Bhilwara Chapter

I along with CMA Manas Kumar Thakur, CCM was invited for the Career Counselling Programme attended by more than 2000 students organised at Bhilwara on 24th December, 2017.

I wish prosperity and happiness to members, students and their families on the occasion of New Year, Guru Gobind Singh Jayanti, Lohri, Birthday of Swami Vivekananda, Makar Sankranti, Pongal, Netaji Subhas Chandra Bose Jayanti, Basant Panchami and Republic Day and pray for the success in all of their endeavours.

We are proud on the strength of CMAs and its contributions to the very fabric of this great nation. This is a time to remind ourselves that we should stand up in helping build this country for future generations.

I conclude this new year's first communication by quoting from our Hon. Prime Minister of India Sri. Narendra Modi.

"Firmness in truth is a guarantee for success. A country of 125 crore, with 65 per cent below the age of 35, having the means, the resources, and the capability, has no reason to stay behind. The new dawn of the New Year, comes with the resolve of new success. Let us all come together, to move ahead overcoming obstacles and constraints."

-- Shri Narendra Modi -Prime Minister of India

Wish you a wonderful and prosperous year ahead.
With warm regards,

CMA Sanjay Gupta
1st January, 2018

VICE PRESIDENT'S COMMUNIQUÉ

As we move into this New Year, may your fears fade, strength gets renewed and your dreams come true.

Happy New Year 2018!!!

First of all I would like to thank the Council for giving me this great opportunity to serve as Vice President of the Institute (2017-18), which is indeed my privilege. With a thankful heart, I would like to share some thoughts on the journey that has been travelled so far, the future of our Institute and the CMA Profession. An eventful year came to an end and this had been a year filled with good moments, some development initiatives, few growth oriented programs undertaken and much more to cherish upon.

Our Institute will continue to strive towards excellence in every aspect of activities with the tremendous support from the Council, the executives, members and students. I am thankful to the Council of the Institute for laying the mantle of leadership on my shoulders and for the trust and honour bestowed on me.

I am delighted to congratulate CMA Dr PVS Jagan Mohan Rao, Council Member of the Institute having been unanimously elected in the Council meeting for the position of Vice President of South Asian Federation of Accountants (SAFA), an apex body of SAARC at New Delhi on December 20, 2017.

The Institute is undertaking various innovative steps which includes Skill Development and training among youths, many career counselling programmes at various colleges Pan India basis, introduction of new advanced study courses etc and the sustained efforts of predecessor colleagues in the Council, the present team and all of you have strengthened the same.

The future is full of opportunities for the members and we are creating an environment which is conducive for the capacity building of the members. The business and economic environment is changing very fast, technological developments are happening at lightning speed making it competitive for the professionals to sustain in the era of cut throat competition. I sincerely trust that our CMA professionals are competent enough to transform into an extraordinary workforce for the country and their organizations and to grab the forthcoming opportunities.

The Journal & Publications Department of the Institute is dedicated to the goal of connectivity and focus on incorporating new features and relevant cover stories of national and global importance in the journal and providing best efforts to reach the unreachable through persistent value addition.

The forthcoming theme (January 2018) of Journal is on the theme "Banking" which is quite relevant since Banking industry in India has undergone a paradigm shift over the last decade primarily because of the ongoing deregulation in the financial and banking sector. As a result, there has been a distinct change in the way in which banking business is being done in India. Sustained profitability has become an imperative for survival and growth for any bank; whether it is public sector or private sector, old or new, or domestic or foreign. Efficiency, competitiveness and quality have emerged as key success factors in the changed environment. Being a Banker my view is that in an extremely competitive environment characterized by many industry players and that too with almost standardized products; the most important determinant of business profitability is the cost of rendering the service. This is because prices are no more under control in a competitive scenario and are mostly market determined. As such, there exists the need for putting in place sound Cost Accounting systems in the banking industry. Moreover, an integrated system for Cost and Management Accounting is an essential pre-requisite for adopting modern management practices like Benchmarking, Business Process Reengineering (BPR) etc.

It is noteworthy due to several requests from members across India, hard copies of the monthly journal 'The Management Accountant' would resume to be circulated for all the members very soon.

I sincerely believe that all our members would work wholeheartedly altogether towards accomplishment of goals and facilitate solutions to the raising concerns and issues contributing to development of the Institute as well as development of the nation. I urge all the members and students to actively participate in the forthcoming events of the Institute throughout the year.

With Warm Regards,

CMA H Padmanabhan
1st January, 2018

CHAIRMAN'S COMMUNIQUÉ

New Year's Greetings!!!

I would like to take this opportunity to wish you and your family a very happy, prosperous, peaceful and successful new year 2018. Expressing my sincere thanks to the President, Vice President and the Council for giving me this great opportunity to serve the Institute as Chairman of the Journal & Publications Committee (2017-2018), I firmly believe that the Committee has tried to deliver most of the tasks bestowed upon it.

The mission of the present Council is to achieve excellence in Professional Development arena and disseminating the knowledge & updating all the stakeholders of the society.

In today's era of communication and technology, people round the clock want to keep themselves abreast of the latest changes and developments happening around them.

The core purpose of our Journal and Publications Department is to inform, educate and enlighten the masses on various issues revolving them.

Our CMA profession has a unique blend of core competencies in accounting, management and strategy. They can apply their forward looking insights across the organization to manage risks, reduce costs and create new opportunities, preserve and enhance value. Keeping this in mind, our mission is to establish this department as a premier research body in the country to raise public awareness about policy issues in business, trade, society and economy and to facilitate solutions contributing to national development.

The followings are being published regularly by the Journal and Publications Department:

- The pioneering monthly journal *'The Management Accountant'*
- Knowledge Reports
- Working Paper Series

In our continuous endeavour to improve the quality of the journal, the Journal and Publications Department is committed to work relentlessly to meet the expectations of the members, students and other stakeholders. The activities of the concerned department are accessible online through a vibrant portal **www.icmai-rnj.in** which is directly interlinked with the Institute's website.

It is the role of the monthly journal of the Institute to spread information about every relevant happenings in the world. ***"The Management Accountant"*** Journal incorporating new features and relevant cover stories of national and global importance, interviews of eminent industry stalwarts in respective fields reaches the unreachable through persistent value.

I am delighted to announce that the printed copies of the monthly journal ***'The Management Accountant'*** which was discontinued earlier, would resume to be circulated to all the members of the Institute from March 2018. I am also happy that the Journal is now enlisted in the approved Journal list of the UGC.

With the enormous and valued support received from President, Vice President and all my Council Colleagues and also with the active participation from the office bearers of the concerned department, it has made myself being assigned as Chairman of the Journal and Publications Committee to achieve the desired goals and expectations of the stakeholders. We are extremely hopeful to maintain the same level and even to achieve a higher yardstick to fulfil the expectations in near future.

We solicit your feedback, suggestions and concerns for the overall development of the Journal and Publications Department. Please send us mails at **editor@icmai.in** / **journal@icmai**.in for various issues relating to journal and publications.

Kindly allow me to express my thanks and gratitude for your continued support. I pray to God for your health, happiness and prosperity.

With Warm Regards

Biswarup Basu

CMA Biswarup Basu

Chairman
Journal & Publications Committee
1st January, 2018

CMA Sanjay Gupta, President of the Institute extending New Year greetings with Shri Arun Jaitley, Hon'ble Minister of Finance and Corporate Affairs

CMA Sanjay Gupta, President of the Institute presenting the brochure of four newly launched courses offered by the Directorate of Advanced Studies of the Institute to Shri Arun Jaitley, Hon'ble Minister of Finance and Corporate Affairs on 1st January, 2018

CMA Sanjay Gupta, President presenting Guidance Note by the Institute on Anti Profiteering to Shri Arun Jaitley, Hon'ble Minister of Finance and Corporate Affairs

CMA Sanjay Gupta, President of the Institute extending New Year greetings with Shri Injeti Srinivas, Secretary to the Government of India, Ministry of Corporate Affairs

CMA Sanjay Gupta, President extending New Year greetings with Shri Suresh Chandra, Secretary to the Government of India, Ministry of Law & Justice

CMA Sanjay Gupta, President of the Institute felicitating Mr. Robert Thomason, Executive General Manager, CPA Australia on 4th December,2017 at CMA Bhavan, New Delhi

CMA Sanjay Gupta, President alongwith other dignitaries during the Inaugural Session of ASSOCHAM New India Confluence for Public and Private Enterprises - Governance, Risk and Compliance held on December 15, 2017 at New Delhi.

CMA Sanjay Gupta, President deliberating at ASSOCHAM New India Confluence for Public and Private Enterprises - Governance, Risk and Compliance held on December 15, 2017 at New Delhi.

Annual Seminar on "Transforming India" organized at Steel Club Auditorium, Durgapur by Durgapur Chapter of the Institute on December 17, 2017

"Guidance Note on Anti Profiteering" of the Institute got released at the Annual Seminar organized at Steel Club Auditorium, Durgapur by Durgapur Chapter of the Institute on December 17, 2017
From Left: CMA Susit Kumar Chakrabarti, Secretary, Durgapur Chapter, CMA A K Tulsiani, Chairman, Durgapur Chapter and GM(F&A), SAIL/ DSP &ASP, CMA Sanjay Gupta, President of the Institute, Sri A K Rath, CEO, Durgapur Steel Plant, SAIL, Swami Vedatitaananda, Ram Krishna Math & Mission, CMA Pranab Kumar Chakraborty, Chairman, EIRC are seen

CMA Sanjay Gupta, President of the Institute, CMA Vivek Laddha, Secretary of Ajmer Bhilwara Chapter along with other eminent dignitaries were present in the Career Counselling Programme held at Bhilwara on December 24, 2017

CMA Sanjay Gupta, President, CMA Manas Kumar Thakur, Immediate Past President of the Institute, CMA Vivek Laddha, Secretary of Ajmer Bhilwara Chapter and CMA Rajendra Singh Bhati, Regional Council Member and Treasurer, NIRC at the Career Counselling Programme held at Bhilwara on December 24, 2017

A Workshop on Competition Law for CMAs was organized by WIRC at the office of WIRC, Mumbai on December 8, 2017 graced by Shri Gaurav Kumar, IES, Director (Economics) of Competition Commission of India, Shri Yogesh Kumar Dubey, Dy. Director (Economics) of Competition Commission of India, CMA P.V. Bhattad, Past President and Council Member, CMA Ashok B.Nawal, Council Member of the Institute, CMA V. V. Deodhar, Past President , CMA Kailash Gandhi, Chairman WIRC and CMA Harshad Deshpande, Treasurer WIRC

CMA H Padmanabhan, Vice President of the Institute addressing at the Regional Council & Chapters Meet held at Madurai in November, 2017
Others seen from Left:
CMA Dr. P.V.S. Jagan Mohan Rao, Council Member, CMA P.V. Bhattad, Former President and Council Member, CMA Dr. I. Ashok, CMA P. Raju Iyer, CMA S. Papa Rao, Council Members of the Institute, CMA Manas Kumar Thakur, Immediate Past President, CMA Dr. A. Mayil Murugan, Chairman, SIRC and CMA Sankar P. Panicker, Treasurer, SIRC

CMA Dr P V S Jaganmohan Rao, Council Member of the Institute felicitated by CMA Sanjay Gupta , President, CMA H Padmanabhan, Vice President of the Institute and other members in the Council having been unanimously elected in the Council Meeting of the Institute for the position of Vice President of South Asian Federation of Accountants (SAFA)

CMA Dr P V S Jaganmohan Rao, Council Member of the Institute & Vice President, SAFA addressing at the technical session on Impact on Service Sectors, Banking & Insurance at Madurai
Dr J D Sharma, Session Chairman and CMA T Murali Soundararajan, CMA D L S Sreshti were the Resource Persons of the programme

INTERVIEW

SHRI INJETI SRINIVAS, IAS

SECRETARY, MINISTRY OF CORPORATE AFFAIRS
GOVERNMENT OF INDIA

INTERVIEW WITH THE EXPERT

Members and students of the Institute of Cost Accountants of India, feel elated in welcoming you and through this interview to be carried in The Management Accountant – the professional journal of the Institute, we are sure of taking your views and the views of Government of India to the stakeholders of CMA profession and public at large.

Q: You have taken over the mantle of the MCA, at a crucial stage of Corporate Governance System in the Country. The country is going through a paradigm shift in terms of Insolvency Resolution, action against shell companies and playing a vital role in Ease of Doing Business, our professional members would like to understand your priorities and your expectations from the professionals in general and CMAs in particular.

A: At the outset, I am happy to speak to all the CMA professionals and students through this medium and wish you all a happy and professionally enriching new year. Yes, the entire mechanism of Corporate Governance in this country is undergoing major change and MCA's priority will be to steer the changes in a structured manner keeping the goal of Ease of Doing business in mind. I see a greater role from the professionals in effecting such changes and would like to take views from Professionals in making further improvements based on the need.

Q: The Ministry is working on an early warning system to make it easier for the Government to track shell companies. How does it work?

A: Work has begun for an "early warning system" regarding shell companies. The term is used to refer to a company without active business operations or much of assets. Currently, there is lack of a robust mechanism to check shell companies systemically.

The ministry had recently issued rules to limit the layers of subsidiaries a company may have no more than two layers from the wholly owned subsidiary level. This will apply prospectively but existing companies have to disclose details of their entire list of subsidiaries to the registrar of companies within 150 days. Banks and insurance companies are excluded from this rule.

The MCA 21 system shall be upgraded to detect companies filing wrong reports in the system. Work on early warning mechanism to track shell companies, has just started and we expect the professionals like you to play an important role and become change manager.

Q: Do you think IBC 2016 can act as a panacea for speedy recovery from present NPA position facing by the Banking Sector in India?

A: Insolvency & Bankruptcy Code is expected to play an important role in addressing the problem of huge **non-performing assets** (NPA) facing the banking sector. The mounting NPA threatens to erode the capital of many banks. NPAs have also constrained the banks' ability to lend. Credit is an important ingredient of economic growth and the lack of credit could lead to economic contraction. It's not just public sector banks that are stuck with NPAs - private sector banks are also taking a hit. The advantage of IBC 2016 is that the focus is on insolvency resolution unlike the earlier frame work which was essentially tuned towards recovery through liquidation. There are huge capacity building challenges that need to be addressed, especially in respect of resolution professionals, valuers etc.

Q: What are the further reforms MCA is working on in the area of ease of doing business, where World Bank ranking has placed India at 100th position recently?

A: The ministry attributes this to simplified procedures and reduction in procedures, time and fees, through the successful implementation of e-governance initiatives such as the MCA21 portal and SPICe (Simplified Proforma for Incorporating Company Electronically) forms.

The establishment of the Central Registration Centre (CRC) for name availability and incorporation, and the National Company Law Tribunal (NCLT) for speedy adjudication of disputes with respect to corporate law matters, along with rules to protect minority investors through various disclosures, have also contributed to improving ease of doing business.

REDUCTION IN PROCEDURES:
Five procedures for Starting a Business are now integrated and can be done simultaneously in one step. Using the newly launched integrated e-Form SPICe, stakeholders can now apply for Company Name, Company Incorporation, DIN of the directors, PAN and TAN for the newly incorporated company, and avail all FIVE services simultaneously. The requirement of a company seal has also been removed vide Company (Amendment) Act, 2015. Therefore, the reforms undertaken by the Ministry of Corporate Affairs have helped in reducing the procedures for starting a business in India and enhance Ease of Doing Business.

REDUCTION IN COST/FEES:
The fee for incorporation (of the integrated e-Form SPICe /INC-32) has been reduced from INR 2000 to INR 500. The cost incurred by a company for company seal is also eliminated; as the requirement for a company seal has been removed vide amendment to the Companies Act, 2013.

REDUCTION IN TIME:
The time taken for processing company incorporation applications has been reduced drastically from between 5 to 15 working days in June 2014, to an average of 0.6 working days in March 2017. Similarly, the processing time for name availability applications has been brought down significantly from between 5 to 6 working days in June 2014, to an average of 0.4 days in March 2017. In addition, more than 90% applications are being approved within 1 working day. This has resulted in speed, greater transparency, uniformity and eradication of discretion.

Q: What are the steps to be taken by the Ministry for Non-compliance by the Corporate Sector?

A: The Ministry has now taken a very clear stance. Non-compliance will now be "very costly" and strong deterrents will be there to curb misuse of companies for illegal purposes. Things are being simplified for legitimate businesses while checks are being strengthened against illegal business activities. It should be very easy to be compliant and very costly to be non-compliant.

Q: Do you think that IBC Ordinance will improve borrowing culture in India?

A: The decision of keeping out promoters who are wilful defaulters from bidding for their companies during the insolvency process was the result of lengthy deliberations and will certainly improve the lending and borrowing culture in the country.

People will now think twice before gold plating. From the lenders' side also, now when you are lending, nothing other than viability and feasibility will be the determining factor.

Q: How far the corporate sector in India engaged themselves in CSR activities as per the provisions of Companies Act?

A: Corporate Social Responsibility as a legal obligation has been introduced for the first time under Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014. In 2015-16, 3102 companies contributed ₹9822 crores towards CSR. The CSR activities are gradually picking up.

Q: How the Companies Act is facilitating start-up business in India?

A: The scope of the definition of a start-up has also broadened to include scalability of business model with the potential of employment generation or wealth creation.

According to a new gazette notification, the amended definition of a start-up is as follows:

- if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under Section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India; and

- up to seven years from the date of its incorporation/ registration; however, in the case of startups in the biotechnology sector, the period shall be up to 10 years from the date of its incorporation/registration; and

- if its turnover for any of the financial years since incorporation/ registration has not exceeded ₹25 crores; and
- if it is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'Start-up'.

Q: Certain changes in Corporate Governance scenario have been recommended by SEBI. How far is it compatible in the light of Companies Act?

A: The changes have not been recommended by SEBI. They are recommendations of Committee (Kotak Committee) set up by SEBI. The recommendations are under examination of Government as well as SEBI.

Q: What is your message to Cost & Management Accountants on the Cost Audit and assurance mechanism as defined in the Companies Act?

A: Cost Auditing Standards have been granted recognition for the first time under the Companies Act, 2013. This will provide a platform to CMAs to augment the quality of reporting that will benefit companies and ultimately the profession. New professional opportunities will be gradually available to CMAs, not only in cost-related areas, but areas like internal audit, as valuers and insolvency professional etc. where they can contribute enormously. CMAs have to play an important role to cater to the expectations of stakeholders. I am sure that the Institute will provide necessary guidance to its members in further advancements to the profession.

Q: Please share your views about the emerging role of Professionals as Registered Valuers under the new valuation rules.

A: The notification of these rules - Companies (Registered Valuers and Valuation) Rules 2017 - is expected to bring clarity regarding various aspects of valuation and registered valuers and have major impact on industry, professionals, stakeholders and the Government as well. Introduction of valuation standards will ensure that the valuation reports disclose a true, fair and complete view and result in greater objectivity in valuation procedures. IBBI will soon be conducting examinations for Valuers for different asset classes.

The increased transparency and fairness in the valuation system would also boost stakeholders' confidence alongside improving government revenues by way of plugging of loopholes in valuation. Though there is some consensus among professional values about generally accepted approaches, methods and procedures; however, there is a need for education, training, regulation and standardization of prevalent practices in valuation.

Q: How far Indian Corporate Sector has become cost competitive in order to cope with the Global challenges?

A: Cost is the common denominator and the principal guide for achieving organizational efficiency under the environment of competition. Under competitive business environment, price of a product or service is determined by the interactive forces of demand and supply. What a business can do is to manage the cost of production and distribution of the product or service and here lies the role of cost consciousness which contributes to bringing about organizational efficiency, growth and development.

Cost Management at the various phases of production and distribution cycle is the sustainable and surviving strategy for a business at micro level and the economy as a whole at macro level that face the heat of intense competition under the business environment of a market driven economy. The efficiency of a business is measured by the degree of efficiency it controls and manages the cost.

I believe, Indian Corporate Sector is striving hard to achieve cost competitiveness to be sustainable in the global market.

Q: Please share your views regarding cost awareness and cost consciousness in view of efficient use of scarce resources.

A: Cost consciousness and cost culture play a pivotal role in the practice of cost management in order to achieve organizational efficiency. Cost consciousness leads to cost saving. Saving in cost analyze leads to greater profitability and profit is a prerequisite for existence for any economic entity.

Stakeholder Theory being an important theory and guide to modern management believes in professionalism and only professional practice and procedure can create value for the society. Proper cost awareness and cost consciousness culture can enhance organizational efficiency through optimum use of scarce resources. MA

ENGAGING THE MILLENNIALS:

NEED OF THE HOUR FOR INDIAN PSBs

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Post economic liberalization, Public Sector Banks (PSBs) have been a part of exciting journey of retail banking revolution. PSBs have invested heavily in IT infrastructure & customer-centric innovations, setting up ATMs and revamping their product offerings to the customer. At the same time they have grown significantly in terms of market capitalization. Now as some of the PSBs in India are aspiring to be global leaders, factors like global integration & competition, dynamics of money market, fast changing consumer preferences, technological advancements etc. are compelling them to redefine strategies. Consequently there is an apparent need for consolidation, restructuring, and change for Indian PSBs.

To remain competitive in today's business environment, HR is a very crucial strategic focus area for PSBs. As observed by (Committee on HR Issues of PSBs, 2010), "PSBs today are seriously handicapped vis-à-vis their competitors in the market place, on account of huge human capital deficit". The Committee Report further states that "human resource transformation has now become most critical for PSBs and the present HR dispensation needs a thorough overhaul and a 360 degree change. Without proactive measures in the realm of HR and significantly changing the methodology and content of various HR systems, PSBs are likely to lose the present stature and be a drag on the efficiency of the financial system."

HR Issues in Indian PSBs

HR is considered more important in services sector (Wickramasinghe & Fonseka, 2012)and financial services, particularly in banking (Handley-Schachler, Juleff, & Paton, 2007). Significant work has been done by Narasimham Committee I and II on various HR related issues. The committee's first report in 1991 had proposed various far-reaching reforms in HR along with reforms in other operational areas for bringing about competitive efficiency. The second report in 1998 further laid emphasis on the need for bringing about simultaneous reforms in HR.

However many of the recommendations could not translate into purposeful action. Further, HR of PSBs failed to keep pace with the fast changing business environment and functional trends. While HR is expected to be proactive and play the role of a business partner, the current state of HR in PSBs does not match

Public Sector Banks (PSBs) in India have grown with fast pace post liberalisation. However they are now facing many challenges, including HR, on their path to next orbit of growth. Among several HR issues which have emerged as cause of concern for PSBs, Employee Engagement is one of the most important. It has a pivotal role to play in performance improvement of PSBs. Today, PSBs have inducted a large number of Millennials in their workforce who will not only form a majority of their employee strengths but will also be their future leaders. Through an intensive review of relevant literature, this paper attempts to establish that engaging the Millennials is critical for improving performance of PSBs. This paper also suggests a set of measures which can be taken up by PSBs to address this challenge of improving engagement levels of Millennials.

these expectations. (Committee on HR Issues of PSBs, 2010) stated that "HR is heavily transactional, IR and administration oriented. It is adhoc and inadequately professionalized. Barring a few, in most banks, HR is managed by operational functionaries whose tenures are often short. The function is largely overloaded with routine administration including transfers, promotions, union management relations, etc."

Some of the key challenges for the HR function of PSBs, as identified by (Committee on HR Issues of PSBs, 2010), are:

- Professionalization of HR
- Wages, Service Conditions and Welfare
- Manpower and Recruitment Planning
- Training and Skill Development of Staff
- Performance Management
- Reward Management
- Career Planning
- Succession Planning and Leadership Development
- Employee Engagement and Motivation

Among the above mentioned areas, employee engagement is one of the most critical area for Indian PSBs and there is an urgent need to address the same.

Employee Engagement in Indian PSBs:

The concept of employee engagement:

Employee engagement has been defined in several different ways. According to (Kahn, 1990), "engagement means to be psychologically present when occupying and performing an organizational role".

(Robinson, Perryman, & Hayday, 2004) defined employee engagement as "a positive attitude held by the employee towards the organization and its value. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization."It is also defined as "passion for work" (Truss, Soane, Edwards, Wisdom, Croll, & Burnett, 2006) or "the amount of discretionary effort exhibited by employees in their jobs" (Frank, Finnegan, & Taylor, 2004).

Several dimensions and facets of the term employee engagement have been explored and put forward by various scholars. (Maslach & Leiter, 1997)studied the concept of engagement as an energetic state of involvement, an opposite of burnout. (Harter, Schmidt, & Hayes, 2002)defined engagement as an individual's involvement, satisfaction and enthusiasm for work. At the same time (Wefald & Downey, 2009) focused on vigour and (Schaufeli, Salanova, Gonza´lez-Roma´, & Bakker, 2002) on dedication as a key element of employee engagement.

Summarising, employee engagement can be defined as a positive state of mind of the employee in which he goes the extra mile while discharging his ordinary duties. An engaged employee's work-related state of mind is characterised by dedication and vigour.

Vital Role of Employee Engagement in Enhancing Banks' Performance

Performance of a bank can be measured in several ways. One of the key indicators of a bank's performance, as in the case of any other firm, is bank value. (Koller, Goedhart, & Wessels, 2015) found value as an important performance measurement tool because "it (value) takes into account the long term interests of all the stakeholders in a company, not just the shareholders. Alternative measures are neither as long term nor as broad." (Jensen, 2002) viewed it is an organization's scorecard and said that all managers while making decisions should aim at increasing the organisation's total long run market value.

(Mullen & Copper, 1994) highlighted the positive relationship between employee's engagement at individual level and the performance outcomes of team. (Edmans, 2012) found that the "companies listed in the '100 Best Companies to Work For in America' generated 2.3-3.8% per year higher stock returns than their peers from 1984-2011." (Simha & Vardhan, 2015) said that employee engagement has a significant positive impact on employee productivity, employee retention, increased sales, greater revenue, greater profitability, decrease in absenteeism, higher levels of organizational commitment, and faster business growth & success. (Shastri & Rajpurohit, 2017) concluded in their work that employee engagement is a vital factor in enhancing firm value. In her article, (Devi, 2017) concluded that banks with higher levels of employee engagement outperform their competitors in terms of profitability. Conclusively, it can be said that engagement has a significant positive impact on PSB performance and its value.

Employee Engagement and Millennials

Millennials at Workplace

Millennials (also known as Generation Y) are the demographic cohort following Generation X and researchers typically use the term for people born between 1980 and 2000. India will become the youngest country by 2021, with 64% of its population being Millennials. Of late, Indian PSBs too have started recruiting Millennials in large numbers and Millennials are going to form the bulk of their workforce. These Millennials are also going to be future leaders in banks. (RBI, 2014)report points that PSBs are seeing an increasing number of relatively younger officers reaching new peaks in hierarchy in short spans of time.

However, this trend leads to a new kind of challenge altogether. (BCG, FICCI, IBA, 2010)report indicates a problem of "Yawning Generation Gap". The report states that "the ranks of the 20–30 year age group will swell; at the same time, the majority of the remaining workforce will fall into the 50–60 year age group. This emerging manpower profile will leave a generation gap between the young cohort of new hires and the experienced employees to whom they would report."

Therefore banks must strive to keep this workforce engaged and productive.

How Millennials are different compared to past generations

(Shih & Allen, 2007) found that Millennials are having high levels of self-confidence. They are independent, socially active, individualistic, and enjoy working in teams.

Millennials are the children of very nurturing and protective parents, who have responded to their every need - educational, emotional and physical. Their parents have also praised them for every small effort they made or each time they were successful. So consequently, when these Millennials enter the workplace, they also have very high expectations of reward and recognition from their employers and seniors. For the same reasons, (Martin, 2005) noted that Millennials "want clear directions and managerial support, but they also demand the freedom and flexibility to get the task done in their own way, at their own pace".

Millennials have seen their parents experience both career progress and job losses because of reasons like economic crises, downsizing of organizations, etc. Therefore these Millennials also perceive their employers and work as unreliable. So they focus on self-development by seeking opportunities to learn and grow, aiming at career advancement instead of life-long employment.

Millennials have grown up with internet, smartphones, laptops, real-time media and communications channels and various social media platforms. This also lowers their level of patience and at the same time make them expect immediate feedback from their managers. They are uncomfortable with rigid corporate structures and dislike information silos.

Employment Expectations of the Millennials

Millennials enter the workforce with very different expectations as compared to the previous generations. When these expectations remain unfulfilled, they tend to get disengaged from their work.

According to (Deloitte, 2015), "regardless of gender or geography, only 28 percent of Millennials feel that their current organizations are making full use of the skills they currently have to offer". While observing the factors that foster engagement in Millennials, (Özçelik, 2015) observed that Millennials are attracted to companies that "provide flexible work hours, a fun work environment as well as opportunities for project diversity, career advancement and further learning".

According to (KPMG, 2017) Millennials want mentoring, socialising, celebration for smaller success as well as big and to give opinion on business discussions.

Engaging the Millennials

As evident from the earlier discussion, PSBs are required to measure, analyse and improve engagement levels of their employees. Besides generic efforts for improving employee engagement levels, PSBs need focused and cutomised approach for engaging the Millennials.

According to (Robert Walters, 2017), following steps are needed to engage the Millennials:

- ✰ Studying and managing Millennial expectations
- ✰ Showing a clear path for career progression
- ✰ Ensuring remuneration strategy is in line with Millennial expectations
- ✰ Embracing technology and investing in the latest systems
- ✰ Building positive workplace culture and a social workplace
- ✰ Organising personalised training
- ✰ Establishing system for regular feedback and recognition of accomplishments

Following additional measures are also recommended to ensure higher engagement levels of Millennials in PSBs:

- ✰ Higher authorities at different levels like Regional Managers, Zonal Managers, Directors and even CMD of PSBs should communicate with Millennials about bank's strategies, priorities and difficulties from time to time.

- ✰ Millennials should be made aware of the problems being faced by their banks in various areas. Bank's positions with respect to competitors and the market challenges should be communicated to them. To promote participative culture, solutions for above issues should also be invited from them.

- ✰ Openness and transparency in communication and all internal processes should be encouraged. Management must work to build a culture of trust and create a sense of emotional safety amongst Millennials.

- ✰ Constructive feedback by seniors and mentors must be provided to them on a regular basis.

- ✰ Banks must use technology to their advantage to promote horizontal communication and free flow of ideas from bottom to top. Banks must also strive to create a portal to foster social networking within the organization.

- ✰ Online portals should be put in place to address their grievances in a time bound manner. This would ensure that they feel that the organization is listening.

- ✰ High Potential (HiPo) Millennials should be identified and put on faster career track with challenging roles. MA

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LEGAL FRAME WORK FOR RECOVERY OF DEBTS DUE TO BANKS

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Union Bank of India, Kolkata

In Banking parlance, an asset/account which services principal and interest is termed as "Standard Asset". An account is classified as an NPA when it ceases to generate income for the Bank. As per the Master Circular on Prudential Norms on Asset Classification, issued by the Reserve Bank of India, an asset is required to be classified as NPA, inter alia, if interest and/or installment of Principal remain overdue for a period of more than 90 days in respect of a term loan, the account remains "Out of Order" for 90 days in respect of an Overdraft/Cash Credit account etc.

When an account is under stress, there are systems in place to recognize them early for their revival such as :

- Corporate Debt Restructuring (CDR).
- Strategic Debt Restructuring (SDR)
- Scheme for Sustainable Structuring of Stressed Assets (S4A).

These schemes address the stress of big corporate accounts to some extent. However, these are voluntary and non-statutory in nature and succeed only in a few cases which are viable. In all other cases, Banks resort to legal measures, when the borrowers fail to repay, for enforcement of Securities and Guarantees through intervention of the courts. Legal recourse available to the Banks for recovery of debts are as under :

Civil Courts :

Section 9 of the Civil Procedure Code, 1908 (Code) vested exclusive jurisdiction of all cases of Civil nature on Civil Courts which have powers for attachment of personal assets of borrowers, issuing injunctions, issuing orders for Attachment before Judgement etc. Section 60 of the Code describes the properties that are liable to be attached and sold by the Court in execution of a decree and that which cannot be attached.

As per Section 51 of the Code, Courts have the power to arrest judgement debtors in execution of decree and commit them to Civil Prison. Section 56 provides that the Court shall not order the arrest or detention in the civil prison of a woman in execution of a decree for the payment of money. Section 58 states that the maximum period that a judgement debtor can be detained is not more than three months in execution of decree for payment of money.

[In the case of **Jolly George Varghese Vs.The Bank of Cochin,** [AIR 1980 SC 470], Supreme Court of India came down heavily on such provision of arrest for one's inability to pay debts. Justice V.R.Krishna Iyer in his harsh words held as under while quashing the order issued for detention of the Petitioner therein :

"From the perspective of international law the question posed is whether it is right to enforce a contractual liability by imprisoning a debtor in the teeth of ***Article 11 of the International Covenant on Civil and Political Rights.*** *The Article reads:*

"No one shall be imprisoned merely on the ground of inability to fulfill a contractual obligation."

Indeed, the Central Law Commission, in its Fifty Fourth Report, did cognize the Covenant, while dealing with Section 51 C.P.C.: P. 38: "The question to be considered is, whether this mode of execution should be retained on the statute book, particularly in view of the provision in the International Covenant on Civil and Political Rights prohibiting imprisonment for a mere non-performance of contract." The Law Commission, in its unanimous report, quoted the key passages from the Kerala ruling referred to above and endorsed its ratio. "We agree with this view' said the Law Commission and adopting that meaning as the correct one did not recommend further change on this facet of the Section. It is important to notice that, the Law Commission accepted the dynamics of the changed circumstances of the debtor: However, if he once had the means but now has not, or if he has money now on which there are other pressing claims, it is violative of the spirit of Article 11 to arrest and confine him in jail so as to coerce him into payment. This is reiterated by the Commission:

Imprisonment is not to be ordered merely because, like Shylock, the creditor says:

I crave the law, the penalty and forfeit of my bond.

The law does recognise the principle that "Mercy is reasonable in the time of affliction, as clouds of rain in the time of drought."

16. Equally meaningful is the import of Article 21 of the Constitution in the context of imprisonment for non-payment of debts. The high value of human dignity and the worth of the human person enshrined in Article 21, read with Arts. 14 and 19, obligates the State not to incarcerate except under law which is fair, just and reasonable in its procedural essence. Maneka Gandhi's case as developed further in Sunil Batra v. Delhi Administration :, Sita Ram and Ors. v. State of U.P. : lays down the proposition. It is too obvious to need elaboration that to cast a person in prison because of his poverty and consequent inability to meet his contractual liability is appalling. To be poor, in this land of daridra Narayana, is no crime and to 'recover' debts by the procedure of putting one in prison is too flagrantly violative of Article 21 unless there is proof of the minimal fairness of his willful failure to pay in spite of his sufficient means and absence of more terribly pressing claims on his means such as medical bills to treat cancer or other grave illness. Unreasonableness and unfairness in such a procedure is inferable from Article 11 of the Covenant.

18. The question may squarely arise some day as to whether the Proviso to Section 51 read with Order 21, Rule 37 is in excess of the Constitutional mandate in Article 21 and bad in part. In the present case since we are remitting the matter for reconsideration, the stage has not yet arisen for us to go into the vires, that is why we are desisting from that essay."].

However, the Code provided labyrinthine court procedure for proving the claims like framing of issues, admission of documents, examination and cross examination of witnesses of the Bank and the borrowers, final arguments, passing of Preliminary and Final decrees etc. which is very time consuming. On obtaining a decree, Banks need to move the execution courts separately for their execution. The unscrupulous borrowers get the trial protracted for years together on flimsy technical grounds and by filing interim applications and appeals against the interim orders.

Government of India appointed Narasimham Committee in August 1991 to look into all aspects of the financial system in India. It had advocated setting up of Special Tribunals for Banks and Financial Institutions for speedy disposal of cases filed by the Banks. Accordingly, an Ordinance called **"The Recovery of Debts Due to Banks and Financial Institutions Ordinance, 1993"** (RDDB Act) was promulgated by the President of India on 24 June, 1993. The Statement of Objects for enactment of the said Act are reproduced hereunder to understand the legal environment that was there for recovery of debts by the Banks :

"Banks and financial institutions at present experience considerable difficulties in recovering loans and enforcement of securities charged with them. The existing procedure for recovery of debts due to the banks and financial institutions has blocked a significant portion of their funds in unproductive assets, the value of which deteriorates with the passage of time. The Committee on the Financial System headed by Shri M. Narasimham has considered the setting up of the Special Tribunals with special powers for adjudication of such matters and speedy recovery as critical to the successful implementation of the financial sector reforms. An urgent need was, therefore, felt to work out a suitable mechanism through which the dues to the banks and financial institutions could be realised without delay. Whereas on 30th September, 1990 more than fifteen lakhs of cases filed by the public sector banks and about 304 cases filed by the financial institutions were pending in various courts, recovery of debts involved more than Rs. 5622 crores in dues of Public Sector Banks and about Rs. 391 crores of dues of the financial institutions. The locking up of such huge amount of public money in litigation prevents proper utilisation and re-cycling of the funds for the development of the country."

RDDB Act provided for establishment of Tribunals called Debt Recovery Tribunals (DRTs) and Appellate Tribunals (DRATs) for expeditious and exclusive adjudication and recovery of debts due to Banks and financial institutions.

Debts Recovery Tribunals :

RDDB Act provided that a DRT shall exercise the jurisdiction, powers and authority to entertain and decide applications from the banks and financial institutions for recovery of debts due to the Banks. Section 18 of the Act barred the jurisdiction of all other courts or authorities in relation to the recovery of debts due to the Bank. It is further provided that the Tribunal is required to dispose of the applications for recovery of debts as expeditiously as possible and endeavor shall be made to decide the applications finally within a period of six months from the date of receipt of the application. It is not bound by the procedure prescribed under CPC but guided by the principles of natural justice and vested with similar powers as discussed above for attachment and arrest of judgement debtors in course of recovery proceedings. The pecuniary jurisdiction of these Tribunals is Rs.10.00 lakhs and above. The Civil Courts still exercise jurisdiction for deciding Banks' claims below Rs.10.00 lakhs. At present, 39 DRTs and 5 DRATs are functioning in the Country. DRTs decide the cases by adopting summary procedure as the Banks are required to adduce documentary evidence by way of Affidavit only and hence no examination or cross-examination of witnesses is allowed except in special circumstances. With this mechanism in place, the objective with wh.ich the DRTs have been established seemed possible. Initially there was some success with this experiment as the Applications filed by the Banks could be disposed off quickly. But, presently, about one lakh cases are pending before these Tribunals. Recently, the Government of India had introduced tough measures by amending the Act to ensure quick disposal of cases.

Securitisation and Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 : (Sarfaesia):

One of the measures recommended by the Narasimham Committee in its Second Report was to vest the Banks through special statutes, the power of sale of the assets without intervention of the courts and for reconstruction of the assets. Accordingly, to tackle the menace of NPAs, SARFAESIA was enacted by the Parliament which came into force from 21st June, 2002. Hitherto, Banks could recover their debts only with the intervention of the courts by filing suits which had proved to be time consuming. SARFAESIA, a stronger legislation, empowered the Banks to enforce their securities without intervention of the courts. The Act is in two parts, (1) Securitisation & Reconstruction of Financial Assets and (2) Enforcement of Security Interest. The first part of the Act provided for creation of Asset Reconstruction Companies (ARCs). ARCs purchase bad assets or NPAs from banks at a negotiable price. Banks, instead of pursuing legal action for years against the defaulters, can sell their bad assets to the ARCs at a discounted value and clean up their balance sheets. SARFAESIA permitted ARCs to acquire financial assets through an agreement and Banks may receive bonds/ debentures in exchange for NPAs transferred to the ARCs. A part of the value can be paid in the form of Security Receipts and Cash. These ARCs are regulated by the Reserve Bank of India and are required to be registered with it to function as an ARC. **Asset Reconstruction Company of India Ltd.** (ARCIL) is the first company India to register and function as ARC and at present there are **22 ARCs** in India. In a recent study conducted by the ASSOCHAM, ARCs have purchased about **Rs. 2.44 lakhs** crores worth of NPAs from Banks and Financial Institutions since the year 2003.

Secondly, the Act empowered the Banks and Financial Institutions to enforce their securities without intervention of the courts in cases where defaulted amount is Rs.1.00 lakh or more. Upon an account being classified as NPA, the Act provided for issuing 60 days notice to the borrowers to clear their dues and redeem the mortgaged assets (Section 13(2)). Thereafter, the Banks can take physical possession and sell moveable or immoveable properties to realize their dues (Section 13(4)). The DRTs/DRATs have been entrusted with the jurisdiction to adjudicate the disputes that may arise from the action taken by the Secured Creditors through Authorised Officers who is an Officer not less than a Chief Manager of a Public Sector Bank or equivalent. The District Magistrates in non-Metropolitan areas and Chief Metropolitan Magistrates in Metropolitan areas have been mandated to render assistance to the Banks in taking possession of the Secured Assets.

There is considerable improvement in expeditious recovery of NPAs by the Banks through enforcement of securities under this Act. The Parliament has recently made further amendments to the Act, inter alia, providing a specific time period within which the DM/CMM shall pass orders for providing assistance to the Banks to take possession of secured assets and it is hoped that it will bring in the desired results.

Insolvency & Bankruptcy Code, 2016 (Ibc) :

Recently, Parliament enacted IBC, which came into force from 1.12.2016, to deal with Insolvency of Corporate Persons (Companies and LLPs) as well as individuals and Partnership firms and thereby resolution of NPAs of Banks. The objective of the Act is to consolidate and amend the laws relating to resolution of corporate persons, partnership firms and individuals in a time bound manner. Earlier, there were multiple laws which dealt with insolvency of Companies, viz. Sick Industrial Companies (Special Provisions) Act, 1985, the Companies Act, the RDDB Act, 1993 and the SARFAESIA, 2002 which were ineffective and inadequate. Under IBC, Insolvency proceedings can commence against a Corporate Person on the default of Rs.1.00 lakh. The National Company Law Tribunals (NCLTs) established under Section 408 of the Companies Act, 2013 vested with exclusive jurisdiction to deal with the insolvency proceedings against the Corporate Persons.

Presently, there are 11 NCLTs functioning in the country. IBC aims at resolution of Insolvency in a time bound manner and if no resolution is possible, the Companies would be ordered to be liquidated. A period of 180 days only is allowed to work out a resolution plan and no further extension of more than a maximum period of 90 days can be granted. If the Resolution Plan can be worked out, Banks can recover their dues, with or without haircut, as per the Resolution plan, within a specific time period. Even if no Resolution Plan could be worked out, the Company goes into liquidation and Banks as Secured Creditors can stand outside the liquidation proceedings and can recover their dues by selling their secured assets. Further, as per Section 53(1)(e), the unrecovered debts owed to a Bank following enforcement of security interest ranks equally with any amount due to the Central or State Government. As per Regulation 44 of the Insolvency & Bankruptcy Board of India (Liquidation Process) Regulations, 2016, the Liquidator shall have to complete the liquidation proceedings within a period of two years. Therefore, IBC is a quick mechanism which enables the Banks to either resolve or recover NPAs.

The provisions which deal with the Bankruptcy of Individuals and Partnership firms are yet to be notified. Earlier, the Presidency Towns Insolvency Act, 1909 for Kolkata, Mumbai and Chennai and the Provincial Insolvency Act, 1920 for rest of the country dealt with individual insolvency which Banks have rarely invoked.

Lok-Adalat :

The settlement of disputes through Lok Adalat is an Alternative Dispute Resolution method. Section 19 of the Legal Services Authority Act, 1987 provides for conducting Lok Adalats by the State, District, High Court and Supreme Court Legal Services Authorities for amicable settlement of the disputes by way of compromise. Banks periodically refer sticky accounts to such Lok Adalat to enable the borrowers to settle their accounts. Banks offer to settle by foregoing full or a portion of interest depending on the facts and circumstances of each case. As per Section 21 of the said Act, every award made by a Lok Adalat shall be final and binding on all parties to the dispute, and no appeal shall lie against the award. Once an award is made and the borrower fails to pay the amount as per the award, the award can be executed as if the same were issued by a Civil Court. Therefore, this is an expeditious and inexpensive remedy for the Banks to recover their debts. Now, under the aegis of the Hon'ble Supreme Court, National Lok Adalats are being organized regularly and various cases are being settled out of court enabling the Banks to make quick recoveries.

Revenue Recovery Acts/Public Debts Recovery Acts :

Several States have passed Revenue Recovery laws to recover public monies due to the Government like Land Revenue etc. which also provide for recovering the debts due to the Banks as a Land Revenue. These Acts enable to recover the debts mainly debts under Agricultural loans and Government Sponsored Schemes. The proceedings are summary and expeditious and the Revenue Authorities use their official machinery to recover the loans from defaulters by attaching and selling their properties.

Bankers' General Lien & Right of Set Off :

By mercantile custom, Banks have a general lien over all forms of securities or negotiable instruments deposited by or on behalf of the customer in the ordinary course of banking business. The general lien is a valuable right of the banker judicially recognized. A Banker has a general lien over such securities or bills received from a customer in the ordinary course of business and has a right to use the proceeds in respect of any balance that may be due from the customer by way of reduction of customer's debit balance. The mercantile custom has been statutorily recognized by way of Section 171 of the Indian Contracts Act. The Supreme Court had, in the case of Syndicate Bank Vs.Vijaya Kumar [AIR 1992 SC 1066] upheld the right of Bankers to exercise general lien. The set-off refers to combining of two or more accounts for final settlement of accounts. The subject matter of lien is Securities and Goods while that of set-off is deposits and Banks have the right to exercise general lien and set-off for recovering its dues.

One Time Settlement (OTS) :

Banks can also settle NPA accounts through negotiated settlement with the borrowers. The Banks weigh the circumstances as to availability of security, its valuation, time taken to resolve the dispute through courts, defects in documentation and other legal issues and take a commercial decision as to settling the account by way of OTS. In OTS, the borrower agrees to pay an amount which is less than the total outstanding. In Suit filed accounts, the consent terms are accordingly recorded and filed before the courts with a clause whereby the borrower agrees for issuance of Recovery Certificate/Decree if the payment is not made as per the agreed terms and conditions of OTS.

Willful Defaulters :

The Reserve Bank of India has powers to regulate Banks under Banking Regulation Act, 1949. A Scheme was framed by RBI with effect from 1st April 1999 under which the banks were required to submit to RBI the details of the willful defaulters of Rs.25 lakhs and above. As per the Master Circular no. DBR.No.CID.BC.57/20.16.003/2014-15, dated July 1, 2014, issued by RBI, a "Willful Default" deemed to have occurred if any of the following events is noted :

a. The unit has defaulted in meeting its payment / repayment obligations to the lender even when it has the capacity to honour the said obligations.
b. The unit has defaulted in meeting its payment / repayment obligations to the lender and has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
c. The unit has defaulted in meeting its payment / repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilised for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.
d. The unit has defaulted in meeting its payment / repayment obligations to the lender and has also disposed off or removed the movable fixed assets or immovable property given for the purpose of securing a term loan without the knowledge of the bank / lender.

(The term 'unit' includes individuals, juristic persons and all other forms of business enterprises, whether incorporated or not)

RBI provided the mechanism to identify Willful Defaulters and also prescribed, inter alia, the following penal measures to be initiated by the Banks against such Willful Defaulters :

No additional facilities should be granted by any bank to the listed willful defaulters. In addition, such companies (including their entrepreneurs / promoters) where banks have identified siphoning / diversion of funds, misrepresentation, falsification of accounts and fraudulent transactions should be debarred from institutional finance from the scheduled commercial banks, Financial Institutions, NBFCs, for floating new ventures for a period of 5 years from the date of removal of their name from the list of willful defaulters as published/disseminated by RBI/CICs.

A covenant in the loan agreements should be incorporated by the banks to the effect that the borrowing company should not induct on its board a person whose name appears in the list of Willful Defaulters and that in case, such a person is found to be on its board, it would take expeditious and effective steps for removal of the person from its board.

Banks are also mandated to submit the list of suit-filed accounts and non suit filed accounts of Willful defaulters of Rs.25 lakh and above on a monthly or more frequent basis to all the Credit Information Companies like CIBIL. These measures are not strictly recovery measures but deterrent against default and to choke flow of finance to the willful Defaulters which may compel them to pay up their dues to the Banks. Further, various provisions of Companies Act and SEBI regulations also bar the Companies which have defaulted in repayment of loans to the Banks from accessing the Capital Market.

Guidelines on Fair Practices Code for Lenders :

The guidelines dated 5.5.2003 issued by RBI on Fair Practices Code for lenders in the matter of recovery of loans provided that, the lenders should not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. The bank and their agents should not resort to intimidation or harassment of any kind either verbal or physical against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the debtors' family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

Banking Codes & Standards Board of India (BCSBI) :

BCSBI was set up under the aegis of RBI, in February, 2006 to ensure that a comprehensive code of conduct for fair treatment of customers was evolved and adhered to. The Membership of BCSBI is voluntary. Chapter 6 of the "Code of Bank's Commitment to Customers" deals with collection of dues by the Banks which states as under :

"Whenever we give loans, we will explain to you the repayment process by way of amount, tenure and periodicity of repayment. However, if you do not adhere to repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues. The process will involve reminding you by sending you notice or by making personal visits and/ or repossession of security, if any.

Our collection policy is built on courtesy, fair treatment and persuasion. We believe in fostering customer confidence and longterm relationship.

a. We will post details of the recovery agency firms / companies engaged by us on our website.
b. We will also make available on request details of the recovery agency firms/companies at our branches.
c. Our staff or any person authorized to represent us in collection of dues or/and security repossession will identify himself/herself and display the authority letter issued by us and upon request display(ing) to you his/ her identity card issued by the bank or under authority of the bank.
d. We will provide you with all the information regarding dues and will endeavour to give sufficient notice for payment of dues.
e. We will have a system of checks before passing on a default case to collection agencies so that you are not harassed on account of lapses on our part.
f. We will write to you when we initiate recovery proceedings against you.
g. All the members of the staff or any person authorised to represent our bank in collection or/and security repossession would follow the

guidelines set out below:

i). You would be contacted ordinarily at the place of your choice and in the absence of any specified place at the place of your residence and if unavailable at your residence, at the place of business/occupation

ii). Identity and authority to represent would be made known to you.

iii). Your privacy would be respected

iv). Interaction with you would be in a civil manner.

v). Normally our representatives will contact you between 0700 hrs and 1900 hrs, unless the special circumstances of your business or occupation require otherwise.

vi). Your requests to avoid calls at a particular time or at a particular place would be honoured as far as possible

vii). Time and number of calls and contents of conversation would be documented.

viii). All assistance would be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.

ix). During visits to your place for dues collection, decency and decorum would be maintained.

Supreme Court had an occasion to deal with practices adopted by the Banks for recovery of dues in the case of **ICICI Bank vs. Shanti Devi Sharma** [(2008) 7 SCC 532]. In this case, mother of a deceased borrower sought a writ of mandamus that would direct the Commissioner of Police to take action against the lender Bank. It was alleged that her son committed suicide as a result of the manner in which the bank's recovery agents had repossessed her son's motorcycle. She had alleged that two recovery agents forcibly entered her son's bedroom and started harassing and humiliating him for the loan payments that were overdue on his two wheeler and on his personal loan. The deceased finally broke down before his wife and allegedly stated that he had never faced such a humiliation and disgrace in his entire life. On that very day, the deceased hung himself to death. High Court of Delhi had ordered for investigation into the matter. The Supreme Court had reminded the Banks that that we live in a civilized country and are governed by the rule of law and recovery of loans or seizure of vehicles could only be done through legal means.

In the letter accompanying its April 24th, 2008 Guidelines on Engagement of Recovery Agents, RBI stated: "In view of the rise in the number of disputes and litigations against banks for engaging recovery agents in the recent past, it is felt that the adverse publicity would result in serious reputational risk for the banking sector as a whole." The relevant portion of the Guidelines formulated by RBI is set out as under:

"Banks, as principals, are responsible for the actions of their agents. Hence, they should ensure that their agents engaged for recovery of their dues should strictly adhere to the above guidelines and instructions, including the BCSBI Code, while engaged in the process of recovery of dues.

Complaints received by Reserve Bank regarding violation of the above guidelines and adoption of abusive practices followed by banks' recovery agents would be viewed seriously. Reserve Bank may consider imposing a ban on a bank from engaging recovery agents in a particular area, either jurisdictional or functional, for a limited period. In case of persistent breach of above guidelines, Reserve Bank may consider extending the period of ban or the area of ban. Similar supervisory action could be attracted when the High Courts or the Supreme Court pass strictures or impose penalties against any bank or its Directors/ Officers/ agents with regard to policy, practice and procedure related to the recovery process. It is expected that banks would, in the normal course ensure that their employees or agents also adhere to the above guidelines during the loan recovery process."

RBI had also mandated thereby that the Recovery Agents engaged by the Banks must undergo 100 hours training course as formulated by the Indian Institute of Banking & Finance (IIBF) and only such personnel who have undergone the above training and obtained the certificate from the IIBF should be engaged by the Banks.

Other Legal Issues in Recovery :

A borrower would generally try to wriggle out of their liability on various technical and legal grounds or try to protract the legal proceedings initiated against them as far as possible.

The provisions of various laws which may stultify the measures taken by the Bank in recovery of debts if not scrupulously adhered thereto are as under :

I. Transfer of Property Act,1882:

i) Banks lend to the borrowers against Primary and Collateral securities. Collateral Securities are mainly in the form of properties, residential, Agricultural and non-Agricultural lands, Commercial spaces etc. Generally, when a property is offered as security, the Bank obtains Title Search reports through their panel advocates to verify whether security interest can be created therein or not. If a proper scrutiny is not made as to title of the borrower to the said property and encumbrances, if any, thereon, the Bank may not be able enforce the same.

ii) Banks generally create Equitable Mortgage (mortgage by deposit of title deeds) being simple and cost effective. However, as per Section 58(f) of the Transfer of Property Act, 1882, Equitable Mortgage can be created in Notified Towns only. Though such a provision is anachronistic, yet, if Equitable Mortgage is not created in Notified Town, the mortgage security is of no consequence and Bank cannot enforce such security.

II. Stamp Acts :

The Indian Stamp Act, 1899 lays down the law relating to tax levied in the form of stamps on instruments recording transactions. Briefly, the scheme relating to stamp duties, provided for in the Constitution of India is as follows:-

a. Stamp duties on documents specified in Entry 91 of the Union List (viz. Bills of Exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts) are levied by the Union. At present duty is levied on all these documents except cheques.

b. Stamp duties on documents other than those mentioned above are levied and collected by the States by virtue of the legislative entry 63 in the State List in the 7th Schedule of the Constitution;

There are separate Stamp Acts in each of the States and hence stamp duty is not uniform across India. Stamp duty is required to be paid as per the Stamp Act on each and every instrument/deed executed by the Borrowers as per the State and Central Stamp Acts. Otherwise, the courts/authorities have the power to impound the documents and the same will not be allowed to be produced in evidence until unpaid or deficit stamp duty and penalties are paid.

III. Companies Act, 2013:

While sanctioning loans to the Companies, the Banks have to study the Articles of Association and Memorandum of Association to verify the powers of the Company to avail the loans, Objects of the business for which the loans are sought to be availed and other provisions of the Companies Act to ensure that the loans sought to be availed by the Company or obtaining Corporate Guarantees etc.are intra-vires the powers of the Company. If loans availed by a Company are ultra-vires the powers of the Board of Directors/Company, such loans may not be recovered.

As per Section 77 of the Companies Act, 2013, on security interest being created on the Companies' moveable and/or immoveable assets, Charges have to be registered with Registrar of Companies within the prescribed time. If the Charges are not registered and a company goes into liquidation, Bank will become unsecured creditor and hence cannot enforce the securities.

IV. Limitation Act, 1963 :

The purpose and effect of statutes of Limitation is to protect defendants from stale claims. The Limitation Act, 1963 contains a Schedule thereto and period of limitation within which a claim/right is to be made/ exercised is given therein. Therefore, Banks should ensure to file suits/claims against the borrowers or enforce securities within the said time limit lest the suits/claims are time barred. The Courts have to verify the limitation suo moto even if the defendants do not set up such plea being a matter of public policy and dismiss the suits if they are not filed within the prescribed limitation as time barred.

V. CERSAI :

CERSAI is an acronym for “Central Registry of Securitisation Asset Reconstruction and Security Interest of India” and is an online Central security interest Registry. It was created under Section 20 of the SARFAESIA primarily to check frauds in lending against mortgages in which people would avail multiple loans on the same asset from different Banks.

The Act mandates that the Charges should be registered in respect of the Security Interest created by a Bank within 30 days of creation of Security Interest and within another 30 days on payment of penalty. The Act was recently amended and Section 26D has been introduced whereby it is provided that no secured creditor shall be entitled to exercise the rights of enforcement of securities under the Act unless the security interest created is registered with the Central Registry.

VI. Crown Debts :

As observed by the Supreme Court in the case of Dena BankVs.Bikhabhai Prabhudas Parekh & Co.[2000 (3) SCR 50] where the debts of the Government (Corwn) and Subjects conflict, the State Debts gets precedence and priority over all other debts. But, the Crown's preferential right to recovery of debts over other creditors is confined to ordinary or unsecured creditors but do not accord the Crown a preferential right for recovery of its debts over a mortgagee or pledgee of goods or a secured creditor. However, where a statute provides that the dues payable thereunder shall have priority over all other dues including secured debts, the Crown debts get priority even over the secured debts. Several State and Central legislations like sales tax and VAT laws, the amounts due under Customs Act, Central Excise Act, Employees Provident Funds & Miscellaneous Provisions Act, 1952 etc. provided for priority over all other debts including secured debts. Similarly, Section 82 of recently enacted "Central Goods and Service Tax Act, 2017 (GST), also provided that any amount payable to the Government by a taxable person or any other person on account of tax, interest or penalty shall be a first charge on the property of such taxable person. However, under Section 53 of IBC, 2016, where a company is ordered to be liquidated by the NCLT, the secured creditors have been given priority over all other dues including crown debts, but shall rank equally with 24 months of wages of the workmen of the Corporate Debtor, if the Secured Creditor relinquishes the security. If a Bank as a Secured Creditor does not relinquish their security, it can enforce the security as per Section 52 and where the proceeds of the realization of the Secured assets are not adequate to repay the debts owed to a Secured Creditor, the unpaid debts of such Creditor shall be paid by the Liquidator in the manner specified in Clause (e) of Sub-Section (1) of Section 53. Recently, Parliament amended SARFAESIA and RDDB Act and added Section 26E and Section 31B respectively which provided that the debts due to secured creditors shall have priority over all other debts including Crown Debts

VII. Guidelines Issued by Supreme Court :

The practice of Banks to capitalize interest was upheld by the Supreme Court in the landmark case of Central Bank of India Vs. Ravindra [2002 (1)SCC 367]. However, Supreme Court, had issued certain guidelines also for the Banks to follow which are, inter alia, as under :

1) Penal interest, which is charged by way of penalty for non-payment, cannot be capitalized as it will be opposed to public policy. Further interest, i.e. interest on interest, whether simple, compound or penal, cannot be claimed on the amount of penal interest. Statement of accounts should be produced before the courts showing the penal interest charged separately.
2) Charging and Capitalisation of interest on agricultural loans cannot be permitted in India except on annual or six monthly rests depending on the rotation of crops in the area to which the agriculturist borrowers belong.
3) Any interest charged and/or capitalised in voilation of RBI directives, as to rate of interest, or as to periods at which rests can be arrived at, shall be disallowed and/or excluded from capital sum and be treated only as interest and dealt with accordingly.
4) Award of interest pendente lite and post-decree is discretionary with the Court. In a given case if the Court finds that in the principal sum adjudged on the date of the suit the component of interest is disproportionate with the component of the principal sum actually advanced the Court may exercise its discretion in awarding interest pendente lite and post-decree interest at a lower rate or may even decline awarding such interest.
5) Banks to make an averment in the plaint that interest/compound interest has been charged at such rates, and capitalised at such periodical rests, as are permitted by, and do not run counter to, the directives of the Reserve Bank of India. A statement of account shall be filed in Court showing details and giving particulars of debit entries, and if debit entry relates to interest then setting out also the rate of, and the period for which, the interest has been charged. MA

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THE FINANCIAL RESOLUTION AND DEPOSIT INSURANCE BILL, 2017

Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 is similar to the Insolvency and Bankruptcy Code, 2016. FRDI deals only with the companies that are in the financial sector entities such as banks and insurance companies etc. The Insolvency Code Act deals with companies in all other sectors (Non-financial institutions). Purpose of the Bill is to create a resolution regime for financial institutions when they face crisis without creating financial burden for the tax payers.

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Preamble of the Bill

A BILL to provide for the resolution of certain categories of financial service providers in distress; the deposit insurance to consumers of certain categories of financial services; designation of systemically important financial institutions; and establishment of a Resolution Corporation for protection of consumers of specified service providers and of public funds for ensuring the stability and resilience of the financial system and for matters connected therewith or incidental thereto.

Introduction

In Budget Speech 2016-17, the Finance Minister had announced:

"A systemic vacuum exists with regard to bankruptcy situations in financial firms. A comprehensive Code on Resolution of Financial Firms will be introduced as a Bill in the Parliament during 2016-17. This Code will provide a specialized resolution mechanism to deal with bankruptcy situations in banks, insurance companies and financial sector entities. This Code, together with the Insolvency and Bankruptcy Code 2015, when enacted, will provide a comprehensive resolution mechanism for our economy."

The Bill was referred to a Joint Committee of Parliament (Chair: Mr. Bhupender Yadav) on August 10, 2017.The committee consists of members from various regulators like RBI, SEBI, IRDA, PFRDA to submit a Bill on resolution of financial firms. The Committee submitted a draft Bill named as "The Financial Resolution and Deposit Insurance (FRDI) Bill".

Coverage:

Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 is similar to the Insolvency and Bankruptcy Code, 2016. FRDI deals only with the companies that are in the financial sector entities such as banks and insurance companies etc. The insolvency code Act deals with companies in all other sectors (Non-financial institutions). Purpose of the Bill is to create a resolution regime for financial institutions when they face crisis without creating financial burden for the tax payers.

The Bill will apply to

a. Banks
b. Insurance Companies
c. Stock Exchanges
d. Depositories
e. Payment systems
f. Non-banking financial companies and their parent companies.

The central government may notify any other entities or funds to be covered under the Bill.

Key Objectives and Features of the Bill

✓ The Bill establishes a 'Resolution Corporation' to monitor financial firms, anticipate risk of failure, take corrective action, and resolve them in case of such failure. The Corporate will also provide deposit insurance upto a certain limit, in case of bank failure.

✓ The 'Resolution Corporation' or the appropriate financial sector regulator may classify financial firms under Five Categories, based on their risk of failure. These categories in the order of increasing risk are:
i) Low
ii) Moderate
iii) Material
iv) Imminent and
v) Critical

✓ The Resolution Corporation will take over the management of a financial firm once it is classified as 'Critical'. It will resolve the firm within one year (may be extended by another year).

✓ Resolution may be undertaken using methods including:
i) Merger or Acquisition
ii) Transferring the Assets, Liabilities and Management to a temporary firm, or
iii) Liquidation

If resolution is not completed with a maximum period of two years, the firm will be liquidated. The Bill also specifies the order of distributing liquidation proceeds.

Important Provisions

- ***Systemically important financial institutions (SIFIs):*** The central government may designate a financial firm as a SIFI. This would include financial firms whose failures may have a significant impact on the stability of the financial system.

- ***Offences:*** The Bill specifies penalties for certain offences committed by members of a financial firm. These offences include concealment of property and destruction or falsification of evidence. Penalties will vary based on the nature of the offence, with the maximum penalty being imprisonment for five years, along with a fine.

- ***Funds:*** The Corporation will constitute three Funds: (i) Corporation Insurance Fund for deposit insurance, (ii) Corporation Resolution Fund for resolution expenses, and (iii) Corporation General Fund for all other functions.

- ***Bar on jurisdiction:*** The Bill prohibits any court or tribunal from entertaining matters related to the decisions of the Resolution Corporation or regulators, unless specified in the Bill.

Details of Risk based Classification

The Board in consultation with the Appropriate Regulator has been empowered to classify the covered service provider into five categories of risk to viability viz., low, moderate, material, imminent and critical. Such classification shall be made after taking into consideration the adequacy of capital, assets and liability; asset quality; capability of management; earnings sufficiency; leverage ratio; liquidity of the covered service provider; sensitivity of the covered service provider to adverse market conditions; compliance with applicable laws; risk of failure of a holding company of a covered service provider or a connected body corporate in India or abroad.

The five stages of risk to viability framework:

- ***Low risk to viability*** **-** The probability of failure of a covered service provider is substantially below the acceptable probability of failure.
- ***Moderate risk to viability*** **-** The probability of failure of a covered service provider is marginally below or equal to acceptable probability of failure.
- ***Low and moderate risk to viability*** **-** Resolution Corporation shall not have power to investigate or enter the premises and call for information/ documents unless the covered service provider has been classified as imminent or critical. However, SIFIs are required to submit the 'resolution plan' and 'restoration plan' irrespective of the risk of viability. Also, such companies can be jointly inspected by the Resolution Corporation and the Appropriate Authority.
- ***Material risk to viability*** **-** The probability of failure of a covered service provider is marginally above acceptable probability of failure.

If a covered service provider has been classified as 'material risk to viability', such entity shall submit a 'resolution plan' and 'restoration plan' to Resolution Corporation and Appropriate Authority, respectively, within thirty days of such classification. If the covered service provider has been classified as 'material risk to viability' by the Appropriate Regulator, and if the Board has difference in the opinion, then the Board shall record its reason in writing and convey the same to the Appropriate Regulator. Also, the Board may conduct independent inspection, if it continues to hold a different view.

- ***Imminent risk to viability*** **-** The probability of failure of a covered service provider is substantially above the acceptable probability of failure.

The Resolution Corporation has been vested with the power to classify in the category of 'imminent' risk to ability, if the covered service provider fails to submit a Resolution Plan to the Corporation after being ordered to so or it is determined that there has been fraud in the business of the covered service provider. The Appropriate Authority as well as the Resolution Corporation has power to classify the covered service provider into this category; however, in case of central counterparties, only an Appropriate Authority has been authorized to classify into fourth stage of categories.

- ***Critical risk to viability*** **-** The probability of failure of a covered service provider is substantially above the acceptable probability of failure. On being classified as 'critical' risk to viability, the procedure for resolution shall commence and the Corporation shall be deemed to be a receiver of such covered service provider.

Monitoring and Resolution of Financial Firms

The Corporation and regulators will monitor financial firms based on their risk of failure. As this risk increases above acceptable levels (under 'material' or 'imminent' categories), the Corporation or the regulator may direct the firm to take certain actions to mitigate risk of failure. These include:

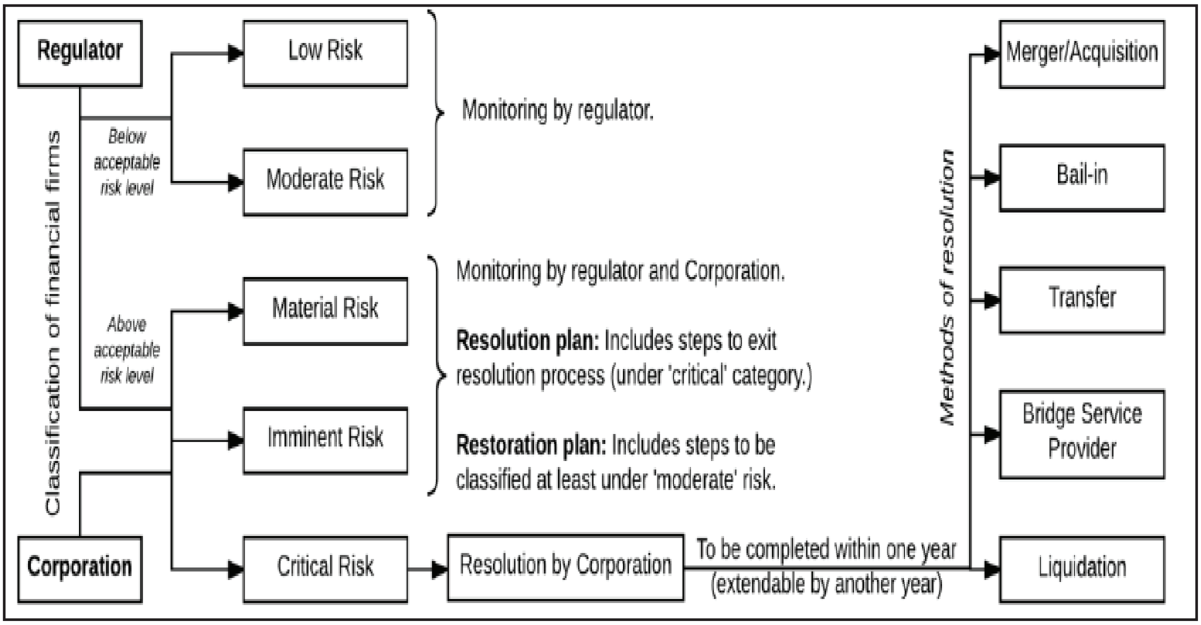
(i) Preventing the firm from accepting deposits,

(ii) Prohibiting it from acquiring other businesses, or

(iii) Increasing its capital.

Further, firms in the 'material' and 'imminent' categories will formulate resolution and restoration plans. The Corporation may supersede the board of a firm, if it is classified under the 'imminent' or 'critical' categories, for a maximum period two years.

Figure 2: Monitoring and Resolution of Financial Firms



(Source: The Financial Resolution and Deposit Insurance Bill, 2017)

Liquidation and Distribution of Assets

The Corporation will require the approval of the National Company Law Tribunal (NCLT) to liquidate the assets of a service provider. Proceeds from the sale of assets will be distributed in the following priority order.

Figure 3: Order of priority for Distributing Assets

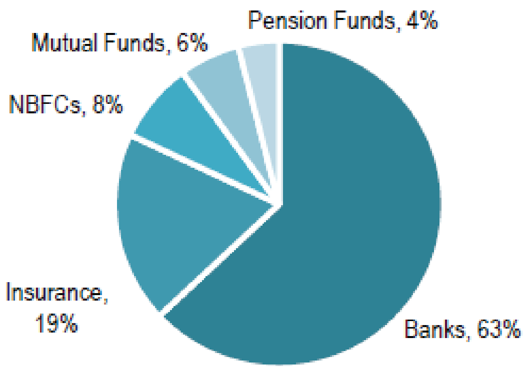
- Deposit insurance
- Resolution costs (including liquidation costs)
- (i) Workmen dues for 24 months, and (ii) secured creditors
- Wages to employees for 12 months
- Uninsured deposits and insurance related amounts
- Unsecured creditors
- (i) Government dues, and (ii) remaining secured creditors (remaining debt if they enforce collateral)
- Remaining debt and dues
- Shareholders

(Source: The Financial Resolution and Deposit Insurance Bill, 2017)

Bail-in

Financial firms include banks, non-banking financial companies, insurance companies, pensions funds, stock exchanges, and depositories. These firms accept deposits from consumers, invest these funds, and provide loans. Often these firms borrow from each other. Failure of a firm may result in adverse consequences for other financial firms, and could trigger off system-wide financial instability.

Figure 1: Distribution of Financial Assets in India



(Source: Report of the Working Group on Resolution Regime for Financial Institutions)

High stake in distribution of Financial Assets in India is Banks i.e., 63% and their portfolio of deposits as on 31st March, 2016 is as follows:

Deposits of SCBs according to Type of Deposits as on March, 2016

Type	No. of Accounts (in mn.)	Amount (in trillion)	Avg. Balance per A/c (Rs.)
Current A/c	57	9	1,51,163
Savings Bank A/c	1351	27	19,759
Term Deposits A/c	239	61	2,54,391
Total	1646	96	58,316

Source: RBI, SBI Research

In India out of the term deposits a/cs, 67% of the total Term Deposit A/cs are of less than Rs.1 lakh, who holds only 8.6% of the Term Deposit in terms of value. Thus, even if any banks every hypothetically fail, then it would not affect the small depositors at all, as it covered through DICGC.

As per the data mentioned above, the average balance per term deposits a/c is Rs.2.54 lakh, while the overall average balance (including Savings Bank, Current Account & Time Deposit is only Rs.58,316). On the other hand, the term depositors of above Rs.15 lakh as per RBI, SBI Research is only 1.3%, who holds 55% in terms of amount of the total term deposits of the banking system.

To be fair to banks, the DICGC should allow the premium payable by the banks to be calculated only on the amount of cover available and not the entire assessable deposits of customers, as is being currently done. This will improve the profitability of the banks.

The resolution methods of FRDI Bill which spread confusion among depositors is the 'bail-in' clause, where the financial firms / companies issue securities in lieu of the money deposited. It means, in case the firm's financial situation deteriorates, deposits could be converted in securities such as shares in the bank. However, the truth is that the risk is much less in the proposed bill. Currently, DICGC provides deposit insurance of upto Rs.1 lakh. and rest of amount is forfeited in the rare event of the bank failure.

Cross Country Deposit Insurance Coverage & Per capita Income (in USD)

Country	Deposit Insurance Coverage	Per capita Income (PCI)	Coverage as times of PCI
Australia	1,82,650	49,928	3.7
Brazil	64,025	8,650	7.4
Canada	72,254	42,158	1.7

Country	Deposit Insurance Coverage	Per capita Income (PCI)	Coverage as times of PCI
France	1,08,870	36,855	3.0
Germany	1,08,870	41,936	2.6.
India	1,508	1,709	0.9
Italy	1,08,870	30,527	3.6
Japan	88,746	38,894	2.3
Russia	19,210	8,748	2.2
UK	1,11,143	39,899	2.8
US	2,50,000	57,467	4.4

Source: IADI, World Bank, SBI Research

Data on Cross Country Deposit insurance Coverage limit shows that Deposit insurance coverage in India is one of the lowest at Rs.1 lakh / $1,508 / 0.9 times India's per capital income.

In India Bank failure is almost non-existent and till now the claims from DICGC is very few. Mostly, such claims have been raised only due to failure of few Co-operative Banks.

Conclusion

FRDI Bill 2017 provides for specialized resolution mechanism of certain categories of financial service providers and establishment of Resolution Corporation which will contribute to the stability and resilience of the financial system. The following are the advantages of FRDI Bill 2017 to all stakeholders of various Financial Service Providers in India.

- It can benefit a large number of retail depositors as it seeks to decrease the time and costs involved in resolving distressed financial entities.
- Help in maintaining financial stability in the economy by ensuring adequate preventive measures, as well as provide necessary instruments in an event of crisis.
- Once implemented, the Bill together with the Code will provide a comprehensive resolution framework for the economy.
- The bill envisages inculcating discipline among financial service providers in the event of financial crisis.
- It promotes "Ease of Doing Business" in the country.
- Improve financial inclusion and increase access to credit, which may lead to the reduction of the cost for obtaining credit.
- Increased access to finance enhances enterprise growth, which in turn leads to preserving employment, growth and the creation of new job opportunities.
- The FRDI Bill will be a win-win for all with all such suggested changes to make it more depositors friendly. MA

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MARKETING TRANSITION IN THE INDIAN BANKING SYSTEM:

AN INTROSPECTION

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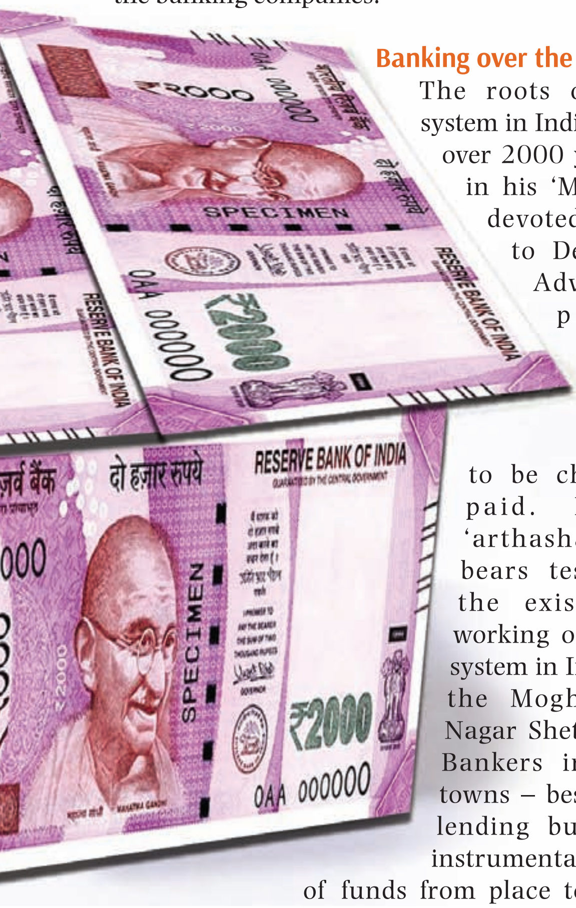
The banking profile in the country has witnessed a significant metamorphosis in the last few decades. The multi-dimensional growth recorded by the banks during these periods is unparalleled in the annals of Indian banking history. In the two decades that followed the nationalization of banks, the locus of growth was on quantitative terms i.e. to increase the size of the balance sheet. While this massive expansion has widened and deepened the financial system to a considerable strain. Today, bankers are more conscious of their bottom-line and could no more undermine the importance of having a stronger and competitive banking company which could stand on its own feet and fend off the competition on its own terms of internal strength and productivity.

The expectations of the borrower customer are to borrow at the prime lending rate which is the rate offered to best customers of each bank. At the same time, such of those persons who would like to place deposits in bulk with the bank expect the best yield for the deposit by way of preferential rate. Further customer-expectations for free remittance, quick collections etc. are on the rise from both the borrowers and depositors as well. Further, interest rates on deposits and advances are no longer regulated and are market driven. There is an intensive price war. Sometimes banks would be tempted to offer a higher rate of interest without getting into the full implications.

Today's customers are well informed and normally compare several and similar product/services that are being offered. Therefore, banks need to segment the market and develop products that are specific to target markets. Customer retention is not of much problem and they are better off these days because their needs and wants are well addressed by companies. What the future needs is how the customers, together with other stakeholders, of the commercial banks, be used to collaboratively engage in the overall development of the banking companies.



Banking over the years

The roots of banking system in India dates back over 2000 years. Manu in his 'Menu Smriti' devoted a section to Deposits and Advances and prescribed the rules pertaining to interest rates to be charged and paid. Kautilya's 'arthashastra' also bears testimony to the existence and working of a banking system in India. During the Moghul period, Nagar Sheths or Town Bankers in principal towns – besides money lending business also instrumental in transfer of funds from place to place and performed collections business through Hundis. Unification of currency under East India Company and substitution by singly sovereign power in lieu of petty principles whisked away banking business from indigenous bankers and shroffs.

In 1921, Imperial Bank of India established to hold government balances and manage public debt. They had no power to issue currency notes which were exclusive preserve of Government of India. In 1955, Imperial Bank of India was nationalized by the SBI Act. The Punjab National Bank Ltd. in 1905, Bank of India Ltd. in 1906, and Bank of Baroda ltd. in 1908 were some of the prominent banks opened during this period. Many weak banks failed during the early part of 20th century due to faulty policies by management, unhealthy and unwarranted competition among themselves, indiscriminate lending against undesirable securities and combination of banking function with trade and industry. The failure of trade and industry affected creditor solvency, and thus the cascading effect on the banks.

The real paradigm shift and revolution that has been witnessed by the Indian banking sector is stunning. Over the years it has undergone major and rapid structural transformations. As the foreign banks and private sector banks emerged, the adoption of technology and new innovation has become the basic feature and necessity of modern banking. Though today banks are in search of customers, earlier the customers had little choice regarding availing banking facilities. Banks have now geared up to serve their customers by trying to provide the fastest and cheapest mode of services. The Public Sector Banks (PSBs) have not been able to restrain themselves from such phenomena; they have rather been forced to adopt this way of marketing as well, to survive in the market. This in turn has further compelled the banks and their employees to change their mindset towards more improved services.

Table 1: Shift in market scenario of banks' financial services

Before 2000	After 2000
Seller's Market	Buyer's Market
Protected Financial Market	Open Market of financial products
Not many competitive brands	Increase in number of brands
Friendly competition	Cut-throat competition
Patient customers	Demanding customers
Less awareness in customers	More aware customers

Before 2000	After 2000
Limited choice for customers	Multiple choice for customers
Limited media promotion	Extensive media promotion
Cost plus pricing	Competitive price cutting
Limited customer services	Increase customer services
IT-Competitive advantage	IT-enabler
Focus on new customers	New and retaining existing customers
Monologue with stakeholders	Dialogue is prevalent
Transactional banking	Relationship banking
Product orientation	Orientation to product innovation
Short time scale	Long time scale
Little customer commitment	High customer contact
Quality is primary concern of few	Quality is concern of all

Source: Authors compilation from various secondary information

Functionally, the banking institutions create credit, market the credit and render other auxiliary services. Cost benefit nexus is a key parameter for evaluation of their performance. At a glance, the progress in banking businesses, so far, is enumerated below:

- The growth rate of bank branches has been exhibiting exponential expansion though the number of commercial banks over the years is decreasing due to merger, acquisition, and consolidations. With the policies adopted by banks to expand to achieve financial inclusion, in comparison to last decade, the present decade shows better growth rate of the bank branches.
- To do away with manual services and to emphasis on technology based modern services, the growth rate of bank employees have been negative. With the advent of communication network and adoption of technology such as the self service technology (SST), Automated Teller Machines, online banking, the banking habits of customers are being changed.
- People have started developing the habit of saving as can be seen from the growth rate in deposits in banks. It has been showing an exponential growth over the years. This has also been the case with investment banking scene as well. The credit growth rate has improved exponentially as well. As deposit, credit and investment constitute the total business of the banking sector, the overall scenario has been impressive decade after decade.

Over the years the PSBs in India have been exposed to service competition from the private sector banks. The concept of capital, measurement of profit, calculation of non-performing assets, provisioning norms for that capital adequacy ratio and weighted average assets have emerged as challenging variable for the survival of the banks. Additionally, the effects of deregulated banking environment:

- The RBI's licensing policy has resulted into encroachment by private (new generation) / foreign banks in old bastions of PSBs. This has resulted into significantly bringing down market share percentage of state-owned banks.
- Deregulation of interest rates and service charges for remittances. This has necessitated efficient operating system in banks to work under thinner margins in a buyer's market.
- Impact of globalization witnessed in the form of new products / reengineering in processes as a result of progressive integration of Indian Economy with World Economy.
- Electronic Banking is gradually spreading in PSBs, since the hi-tech superiority of Private (new generation) / Foreign banks, has rendered PSBs services obsolete. The mammoth manpower of PSBs has become their drawbacks symbolized as a significant cost center.

- Strategic alliances through mergers, of late, to strengthen product delivery system have further sharpened competition in banking sector.

As a result of the earlier financial sector reforms, there has been a shift in the focus from quantitative to qualitative growth. The liberalization and deregulation in the banking sector have brought about a total change in the very approach of the bankers:

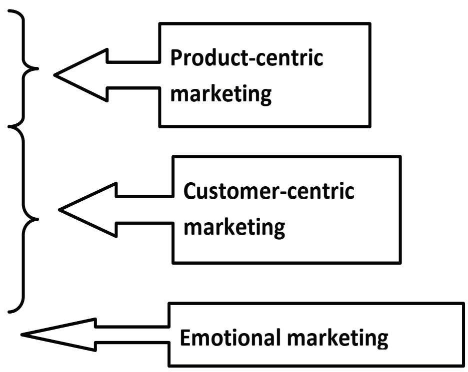
- Today bankers are more conscious of their bottom-line and could no more undermine the importance of having a stronger and competitive banking industry which could stand on its own feet and fend off the competition on its own terms of internal strength and productivity.
- The balance sheets have become trimmer, the spread has virtually narrowed down.
- The single most important contribution of the Narasimhan Committee was that it has rudely awakened Indian Banking from the slumber and cool comfort it was enjoyed for quite sometime and subjected it to the rigors of prudential norms of operations and competitive environment.
- During the controlled regime, bankers did not at all think about the costing / pricing of their products. But in the decontrolled environment an alert banker who is able to determine the price of his products, stands better placed.

Managing transition the Marketing way

Today, Indian banking needs a new framework which can balance the demands of market forces and need of safety, stability and soundness of operations. Nowadays, apart from being socially responsive, banks are expected to prove themselves as commercially viable as well. This shift in expectations has put a new dimension of banking operations. The policymakers are keen to enhance the resilience of banking setups to endure future crises and resonates domestic bearings with international trends. It is here that the approaching ties are significant as the transition phase will have to be carefully administered to reach where we plan and want to.

Figure 1: Shift in customer focus of banking over the decades

Decade	Focus on Customer
1950 – 1960	Serving the customers
1960 – 1970	Satisfying the customers
1970 – 1990	Pleasing the customers
1990 – 2000	Delighting the customers
2000 – 2010	Retaining the customers
Beyond 2010	Valuing customer emotion



Source: Authors compilation from sources mainly Tripathy, N. P. (2009). Financial Services, New Delhi PHI Learning Limited, Eastern Economic Edition

The entry of new commercial banks and other financial institutions that have been permitted to start banking operations, have significantly contributed to the overall development of the banking industry and effectively taken on the challenge of competition from foreign banks in terms of customer care and technology oriented products and services.

1) the present banking reforms should aim at decentralized institution-building and limiting the focus of weak banks.

2) the institutional capacity of banks in transition economies improves faster in case of the New Entry approach rather than the Rehabilitation approach.

3) the process of banking reforms has widened the gap between weak and strong banks.

The banks with their better customer orientation, clearer business focus and heavier technological application in operations are likely to become a guiding light during this metamorphosis. No doubt the state owned banks will continue to play a noteworthy role in promotion and development of banking but they will feel a greater pressure to improve efficiency.

Table 2: Proposed Cost/effort distribution focus across universal bank's functions

<table>
<tr><td colspan="6">Distribution</td><td rowspan="7">~65%</td></tr>
<tr><td colspan="6">Segment Management</td></tr>
<tr><td colspan="6">Brand Management</td></tr>
<tr><td colspan="6">Channel Integration and Management</td></tr>
<tr><td colspan="6">Marketing, Sales and Servicing</td></tr>
<tr><td colspan="6">Marketing Hub</td></tr>
<tr><td>Customer Management</td><td>Customer Pricing</td><td>Product Aggregation</td><td>Product Pricing</td><td>Third Party Management</td><td>Service Integration</td></tr>
<tr><td colspan="6">Products</td><td rowspan="4">~14%</td></tr>
<tr><td>Deposit/cash Management</td><td colspan="2">Insurance</td><td colspan="2">Investment</td><td>Lending</td></tr>
<tr><td colspan="6">Cross Product</td></tr>
<tr><td>Payments</td><td>Product Development</td><td>Product Accounting</td><td>Document Management</td><td>Knowledge Management</td><td>Risk</td></tr>
<tr><td colspan="6">Enterprise</td><td rowspan="4">~21%</td></tr>
<tr><td>Purchasing</td><td colspan="2">Human Resources</td><td>Finance</td><td colspan="2">Legal and compliance</td></tr>
<tr><td colspan="6">Technology</td></tr>
<tr><td colspan="3">IT application</td><td colspan="3">IT infrastructure</td></tr>
</table>

Source: Compiled from Accenture's analysis of bank data

The modern financial markets are witnessing complex and swift financial innovations producing little understood instruments and systems which not only rearrange the market structure but also require frequent updations in legislations. The market practices have become extremely dynamic posing difficulties in detection of fraud, mismanagement or even misinterpretation of directives. The payments risk has also increased many folds due to rapid mobility of huge foreign exchanges ignoring political boundaries. Keeping these in view, it is important that regulation and supervision go hand in hand as the former means the establishment of prudential norms for functioning while the latter enforces the adherence to the norms and without any of these two, financial reforms are meaningless.

In view of the above background, banking organizations may adopt new ways of marketing their product and services so as to reduce such risk issues. This could be possible if all stakeholders work in a collaborative manner, keeping the greater objective of the society and mankind, then ethical standards in customers would rise. According to the recent statement by American Marketing Association (2008), 'Marketing is the activity, set of institutions, and process for creating, communicating, delivering, and exchanging offerings that have value for consumers, clients, partners, and society at large'. The definition includes the word 'society' indicating that the concept of marketing has far reaching impacts that is large scale affecting private dealings of individuals and companies.

Table 3: Evolution of marketing approach of banking services

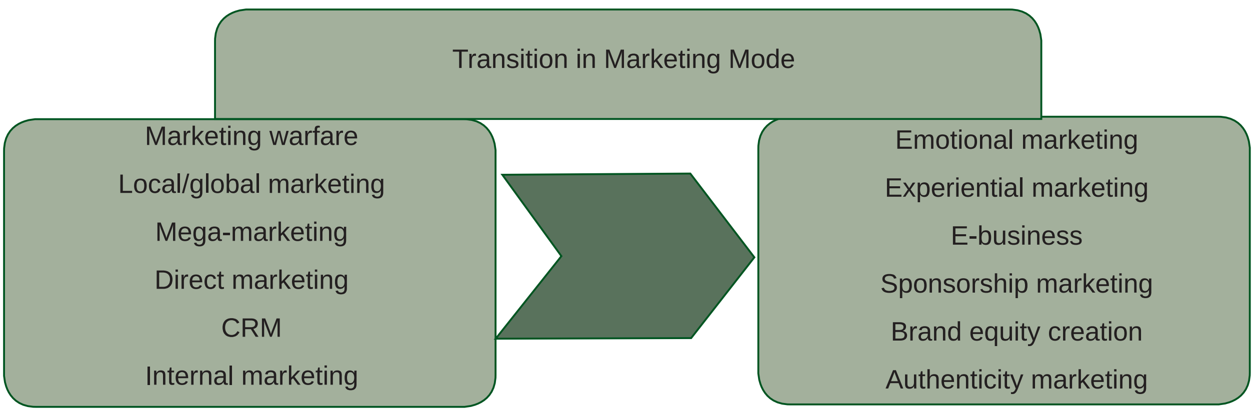
Approaches	*Product – Centric approach by commercial banks*	*Customer – oriented marketing strategies in commercial banks*	*Future of marketing that need to be*
Objective	Sell the products and services	Satisfy and retain the customers	Improved Society
How banks see the market	Mass customers that need banking	Smarter customers that are selective	Mind and heart of customers influenced by social influencers
Bank marketing guidelines	Product specification	Product positioning	Bank's mission, vision and values
Value propositions	Functional	Functional and emotional	Functional, emotional and spiritual
Interaction with customers	One -to- many transaction	One –to-one relationship	Many-to-many collaboration

Source: Compilation of author from various sources

With the use of modern technology, enhanced communication flow and social networks, the road to risk free business may be experimented by incorporating customers as partners to the organization. If this emotional feeling be inculcated among customers as the concept of marketing evolves then much of the business becomes easier. Here, the banks in India need to make further investment in two fields – people and technology. As growth in banking is becoming gradually more dependent on skill rather than resource, the technical skills of banking supervisors in the area of appraisal, transaction, compliance and portfolio matching has become critical.

The private sector banks have already taken a lead in this regard by spending megabucks in providing hi-tech software solutions and regular training of their staff to improve the quality of credit. This phenomenon of risk management and technology emphasis has to be further spread to the entire banking industry to successfully undergo the transition passage.

Figure 2: Transition in marketing mode from the banker's point of view



Bank brands need to understand the anxieties and desires of end users of their services. Those banking brands who have done so, or at least initiated to learn the minds of customers, to win their hearts have performed better in the competition. We see in table 4 and 5, among the top ten brands, five belong to banking companies. This is a remarkable achievement by the banking service providers, as they have been able to brand and position their services competitively against companies who have product brands.

Table 4: Ranks of five banking brands over two years

Rank		Brand Name	Category	Brand value 2016 ($mn)
2016	2015			
1	1	HDFC	Banks	14,438
2	2	Airtel	Telecom provider	9,978
3	3	SBI	Banks	6,352
4	5	Asian Paints	Paints	4,089
5	4	ICICI Bank	Banks	3,957
6	6	Bajaj Auto	Automobiles	3,403
7	9	Kotak Mahindra Bank	Banks	3,333
8	10	Maruti Suzuki	Automobiles	2,850
9	7	Hero	Automobiles	2,807
10	8	Axis Bank	Banks	2,377

Source: The BrandZ Top 50 Most Valuable Indian Brands 2016

Service marketing is much more difficult than product marketing due for its inherent nature of intangibility. Brands such as HDFC, SBI and KMB have been able to successfully reach the hearts of customers through emotional branding experiences. HDFC have been able to acquire a strong share of customers mind through two successive years [Brand value $14,438mn (2016) and $17,965mn (2017)] which is quite remarkable. That means the bank's brand value has been appealing to the customers mind and wants, beyond product functionalities and features. This brand identity has been rated by mounting up of good experiences within the community of customers over the years.

Table 5: Percentage change in position of the select brands in 2017

Rank 2017	Brand Name	Category	Brand value 2017 ($mn)	Change (%)
1 (-)	HDFC	Banks	17,965	+24
2 (-)	Airtel	Telecom provider	10,233	+3
3 (-)	SBI	Banks	8,334	+31
4 (-)	Asian Paints	Paints	4,717	+15
5 (-)	ICICI Bank	Banks	4,697	+19
6 (+1)	Bajaj Auto	Automobiles	4,522	+36
7 (+1)	Kotak Mahindra Bank	Banks	4,449	+56
8 (-2)	Maruti Suzuki	Automobiles	3,564	+5
9 (-)	Hero	Automobiles	3,295	+17
10 (-)	Axis Bank	Banks	2,428	+2

Source: The BrandZ Top 50 Most Valuable Indian Brands 2017

Such instances of better ranked companies in terms of brand valuation must be a reflection of their inherent values that are articulated as corporate priorities by their top management. Organizational branding is said to occur when such phenomena percolates down every strata and level of the organization. This is not a single person's or department's effort, but an integrated effort by the stakeholders of the company.

Technological advances have brought about changes in the ways how services are delivered to the target audience. The new wave of technology enables vast connectivity and interactivity of the customers and their groups alike. The social media is one of such facilities that have enhanced communication flow. This highly expressive social media not only can influence brand building but also can be destructive to any brand's life story. The use of Whatsup, Twitter, Facebook and other forms of messengers take seconds to make things viral among the internet users. A dissatisfied user may blog or twit with the widespread audience that may be potential to dissuade hundreds of prospective customers of a particular service. Hence the banking companies have to be always vigilant about the service and product feedback that are being sold in the market.

As day by day the social media becomes increasingly expressive, customers and other services users would be more powerful and increasingly influence other customers with their opinions and experiences. As media use by companies for advertisement influence buying behavior so does the consumer feedbacks and messages influence buying behavior too. Therefore, technology is a 2-way sword that needs to be carefully used.

Therefore, the changing business environment, financial recession, concerns of climatic conditions, exhaustive social media, empowerment of consumer, globalization and new wave technology would now continue to create drastic swing in marketing tactics. Today, through social media, customers tend to believe and communicate more with each other and therefore trust the word of mouth than the advertisements by banking companies. Exaggerated claims made by companies about product performance or service quality in order to create a differentiation, no longer influence customers. Consumers tend to gather their own information from their community and experiences and remain skeptical about floated advertisements.

The recent financial crises of the West, where the financial values nosedived, both the poor and the rich became poorer. It has been a good lesson for the financial institutions across the world. The existing lifestyle of 'buy now' and 'pay later' is not to continue further. It may be partly due to ensuing government plans to regulate the credit more tightly as customers have become more cautious and risk averse. With the superannuation pension coming to an end in the economy, people have become fearful and want to save more for the rainy days. When spending reduces economic growth slows down. This means the marketers would have to work harder and to separate customers from their money.

Conclusion

There is no doubt that the Indian Banking industry is standing at the porch of many exciting opportunities and challenges. Not to be left behind, the Indian banking also needs to put its act together. We need to exercise a lot of prudence while negotiating the passage of transition as the impending time is unforeseen and untested.

The time of tomorrow will see further dissolution of barriers as the networking among various economies increase. With the increased number of players and instruments, the Indian banking scene has evolved into a very competitive sector. Today, we have many entities which are surviving even if they are underperforming in anyone or more of axes.

For the sustenance of banking businesses, the marketing concept in banks has also evolved over the years. It is clearly seen that, in the first phase marketing was transaction oriented where the focus was on how to make a sale of the banking product. This stage was followed by the relationship oriented banking. In this phase, the concern was how to manage the customers to keep coming back for the banking services and also to sale third party products to the linked customers. In the future to come, banks need to shift their marketing to involve customers to participate in the bank's development of products and communications. It is the age of 'collaborative marketing' Kotler P. (2010), where the economy is interlinked and businesses have to collaborate with their stakeholders to make the world a better place for living. MA

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A STUDY ON FINANCIAL SUSTAINABILITY OF INDIAN BANKING SECTOR

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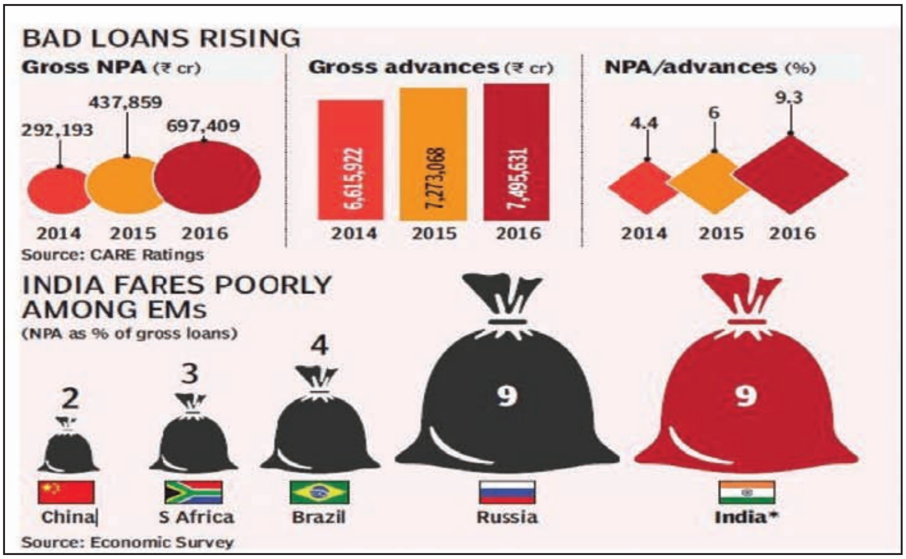
The banking sector underwent paramount transformations since decades. It dates back to post first phase of Economic liberalization of 1991 and NPA emerged as an upsetting intimidation in the nation sending adverse signals on the sustainability and insurability of the debt burden banks. Among many desirable well functioning characteristics of the financial system, management of NPA is a significant one. The aggravation in the asset quality deterioration of the Indian banking sector came to the lime light gradually post financial crisis 2008 and by virtue of time span it touched the peak level. The story not being new, Government and RBI initiated multiple steps to curb down the upsurge in NPA, but did not result expectedly. The two concepts of Gross NPA (GNPA) and Net NPA (NNPA) are indicative of further slippages. Higher slippages can be compensated by proper provisioning norms and these being higher the profitability becomes a question. As NPA can't be completely removed from the financial system, its furtherance should be resisted at the earliest to overcome excessive future financial erosion of capital. Gross NPA of gross advances which stood at ₹13 lakh crore as on March 2012, have increased by a whopping 438.46% to ₹57 lakh crore as on December 2016. The paper has focussed the discussion on select eight public sector banks and four private sector banks who were sampled (in a group of 38 banks) for scrutiny and revealed that the upward trend in NPA is persistently strong, eroding the profitability of the banks. A quick look of the Indian banks rising bad loan scenario in the last three years (2014 to 2016) among the BRICS countries as per Economic Survey.



Review of Literature:

Sikdar Pallab, (2013), the paper identified the credit risk from the existing level of banks' NPA. Also indicated the steps for recovery of loans and advances made by the public and private banks. The research was based on extensive study of annual reports and annual publications of public and private sector banks by Indian Banks Association (IBA). The NPA problem can be tackled with proper credit assessment and risk management mechanism. The author concluded that the Problem of NPA can be taken to be resisted at its nascent stage, to avoid fresh addition to the stock of NPA, because during the regime of mounting NPA, the willingness to lend forward may impact the asset quality of the banks.

- ✰ Care Ratings, 2017, NPA mess of the Indian banking sector, more prominently the public sector banks have drastically shredded the profitability due to unparallel growth in stressed assets, especially in the last June 2016 to June 2017. NPA ratio has gone up from 8.42% in June 2016 to 10.21% in June 2017, highest in last six quarters. The performance of the public sector banks are worst than their private partners, though it was expected that the stressed loan book problem would get over by March 2017, but the scenario turned opposite. Various measures have been attempted to address the issue with IBC, being the latest one, where some of the larger NPAs would have been referred for speedy resolution.
- ✰ Nishant Raj (2017), the author focussed on the NPA management as an urgent need. The article emphasized on definition of NPA, factors of NPA, impact of NPA, steps to tackle NPA. The paper mentioned as a need of the hour how technology and analytics to identify the early warning signals, measures to extract hidden NPA, development of internal skills for credits assessment , applying forensic audit to investigate the borrowers intention.
- ✰ Urjit Patel, (2017) The GNPA ratio is at 9.6% and the stressed advances ratio at 12% as on March 2017. Almost 86.5% of the Public sector banks are worst hit in this alarming scenario as the chunk of bad loans is due to the large corporate borrowers with aggregate exposure of 5 crores or above. To resolve this issue the Government and regulators are playing key roles to restructure the capital of the banking sectors, reorganize recoveries from different channels at the cost of present cost and pains for a desired end game.
- ✰ T.R. Radhakrishnan, 2016, the effective remedy of resisting the foul growth of NPA in banking sector is to eliminate the root cause of cancer NPA and removing it. The blame is to be given the banking entities rather than the corporate and industrialists tagged as wilful defaulters off late. The article highlights the pertinence of early application of preventive measures before it turn out to be completely bad and in the whole process to exercise skill, care , transparency, diligence to make the banking system more robust and efficient.
- ✰ CMA, Mohan, V Tanksale, (2014) CMAs are best suited to doing better cost allocation to get rid of

Indian banking system is plagued by the surge in Non Performing Assets (NPAs) since 2009, post global financial crisis. Repeated measures taken by the Government and Reserve Bank of India (RBI) collaboratively or individually did not bring the expected outcomes and more-so it exacerbated to the core and heightened the level of deterioration of Asset quality of Indian banks. Prominently the public sector banks are worse hit than its private counterparts though the latter made entry into the world of devastation in the recent years and thereby added to the ceremonial growth of stressed assets. The paper has attempted to focus on the vulnerability of the Indian banks, both public and private sector towards its burgeoning NPAs post 2008. The data being collected from secondary sources from websites, journals, magazines, annual reports, RBI speeches. The study revealed that the sustainability of the Indian banking sector became troublesome as disadvantages in uncontrollable asset quality deterioration; growth outpaces the advantage of the remedial measures.

nonviable products. They can take part in effective cost management in banking transactions, strategic cost management, risk management and new product pricing in banking sector.

- CMA, S.V. Subhramaniyam, (2016) the key to the success of the banking sector is to leverage the knowledge from and out of the industry to succeed and there comes the role of a CMA to give a strong footing. Banking industries can get the services of the CMAs to be in a win- win situation.

Research Methodology:

- **Need of the study:** The study emphasizes on the fragility of the Indian banking sector, questionable sustainability and the need for the implementation of sound revival measures.
- **Scope of the study:** The present study includes only select public sector banks and private sector banks who are most exposed to the NPA crisis. The lists of public sector banks considered for the study are IDBI, UCO Bank, UBI, Bank of Maharashtra, Overseas Bank, Dena Bank, Corporation Bank and Central Bank of India. The list of private sector banks is Axis bank, ICICI bank, Yes bank, Indus land bank.
- **Objectives of the study:**
  - ✓ To critically analyze the India's hard hit eight public sector banks and select private sector banks plagued by NPA.
  - ✓ To offer suitable competitive sustainable solutions for overcoming the NPA shocks.
- **Period of study:** The study period covers from post 2008 to 2017. Pre-crisis period is ignored in this research.
- **Data collection:** The data collected for the study is fully from secondary sources, compiling extracts from magazines, articles, journals.
- **Limitation of the study:** The study has taken into consideration solely the public sector banks and for the above mentioned period

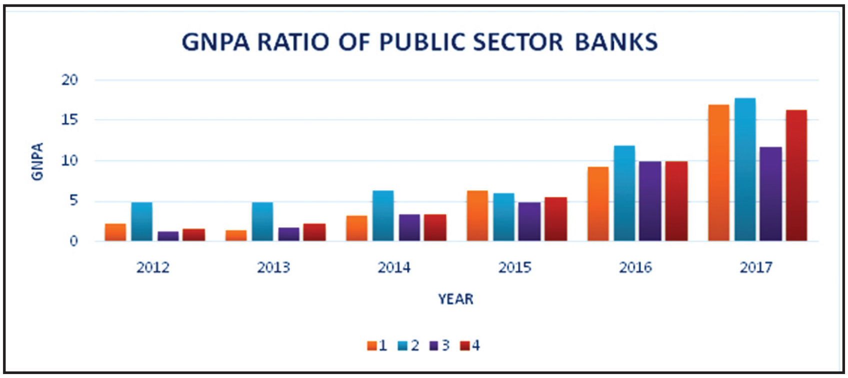
Data analysis and interpretation:

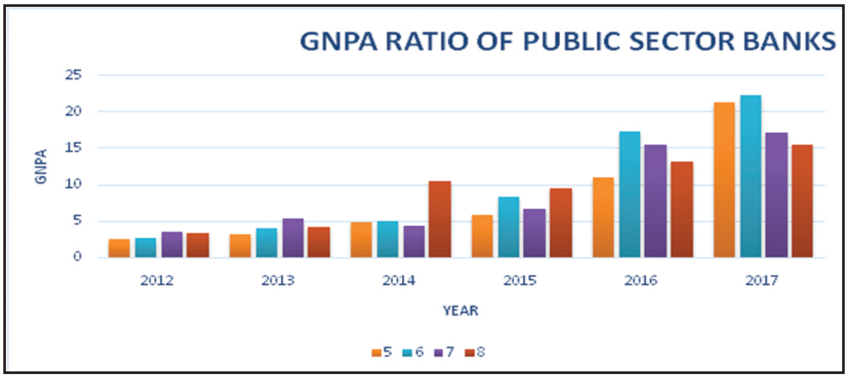
Eight public sector banks which are hard hit in NPAs are taken for the study and the two important variables GNPA and NNPA are considered from the period 2012 to 2017 to examine their directional movement and the same is pictorially presented below:

PUBLIC SECTOR BANKS (GNPA Ratio)

		GNPA (%) in the years					
SL NO	BANKS	2012	2013	2014	2015	2016	2017
1	BANK OF MAHARASHTRA	2.28	1.49	3.16	6.33	9.34	16.93
2	CENTRAL BANK OF INDIA	**4.83**	4.8	6.27	6.09	11.95	17.81
3	CORPORATION BANK	1.26	1.72	3.42	4.81	9.98	11.7
4	DENA BANK	1.67	2.19	3.33	5.45	9.98	16.27

SL NO	BANKS	2012	2013	2014	2015	2016	2017
5	IDBI BANK	2.49	3.22	4.9	5.88	10.98	21.25
6	IOB BANK	2.74	4.02	4.98	8.33	17.4	***22.39***
7	UCO BANK	3.48	***5.42***	4.32	6.76	***15.43***	17.12
8	UBI BANK	3.41	4.25	***10.47***	***9.49***	13.26	15.53

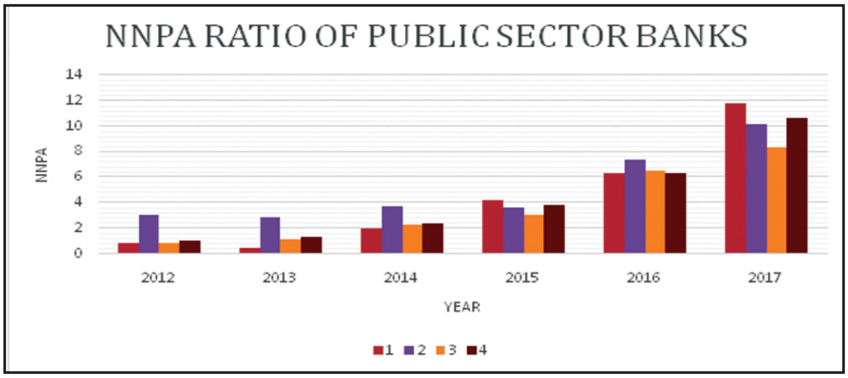


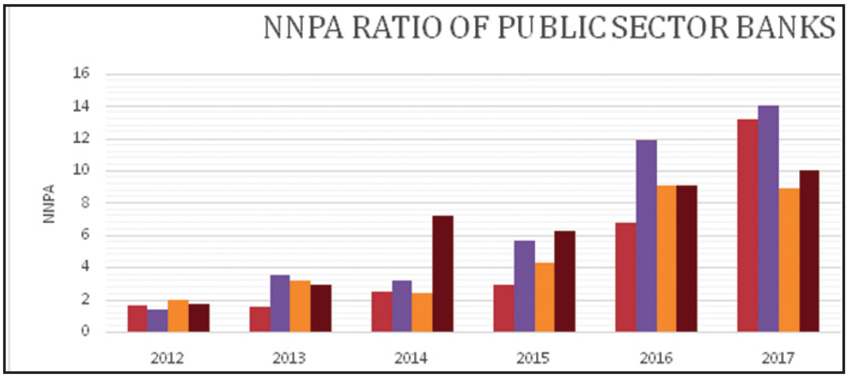


PUBLIC SECTOR BANKS (NNPA Ratio)

			NNPA (%) in the years				
SL NO	**BANKS**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
1	BANK OF MAHARASHTRA	0.84	0.52	2.03	4.19	6.35	11.76
2	CENTRAL BANK OF INDIA	***3.09***	2.9	3.75	3.61	7.36	10.2
3	CORPORATION BANK	0.87	1.19	2.32	3.08	6.53	8.33
4	DENA BANK	1.01	1.39	2.35	3.82	6.35	10.66
5	IDBI BANK	1.61	1.58	2.48	2.88	6.78	13.21
6	IOB BANK	1.35	***3.5***	3.2	5.68	***11.89***	***13.99***
7	UCO BANK	1.96	3.17	2.38	4.3	9.09	8.94
8	UBI BANK	1.72	2.87	***7.18***	***6.22***	9.04	10.02

Source: moneycontrol.com





Discussion on public banks:

The data considered above clearly shows that the increasing trend of the NPA continuously from 2013 to 2017. Both GNPA and NNPA increased. NNPA denotes the quantum of provision being made to provide sufficient cushion for bad loans from GNPA figure. To name specifically, IOB got worst hit, soaring NPA up to 22.39% as on March 2017. From the analysis of various financial parameters of annual reports of the above group of banks, it can be stated that the relentless growth in NPA is due to multiplicity of factors like aggressive lending, irresponsible expansion, big appetite for risk and focus on immediate future, lack of proper checks and balances of customers' credit history, negligence in recovery process. UCO bank's spectacular increase is due to relentless disbursements in the industries like construction, textiles, mining, and food processing, metal and metal products. These banks are also under the surveillance of RBI who mandated the implementation of Prevention of Corruption Act (PCA) .The impact of this NPA is not only bank centric but also on macro economic factors like loss of national capital, loss of public confidence, doubtful sustainability.

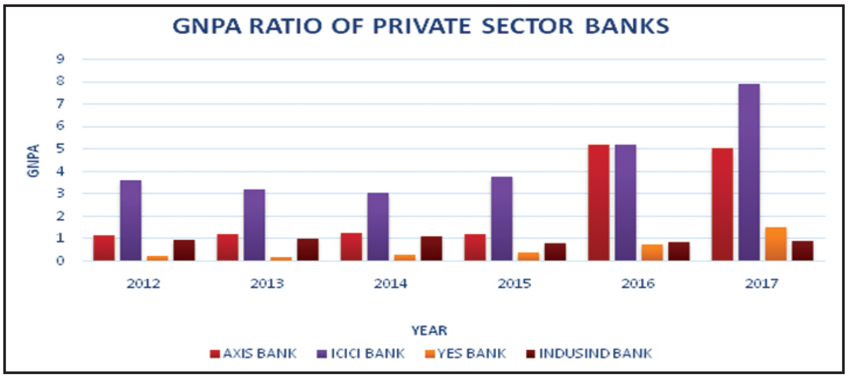
The situation of NPA was assumed to be under control by March 2017, the declaration given by Dr. Raghuram Rajan, the ex governor of RBI, to clean the balance sheet, instead the outcome turned grave by forcibly surrendering to the newly decided norms for resolving the then NPA mess.

Tabular analysis of Private Banks

Private Sector Banks (GNPA RATIO)

	GNPA (%) in the years					
BANKS	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
AXIS BANK	1.18	1.19	1.29	1.21	**5.22**	5.04
ICICI BANK	**3.62**	**3.22**	**3.03**	**3.78**	5.21	**7.89**

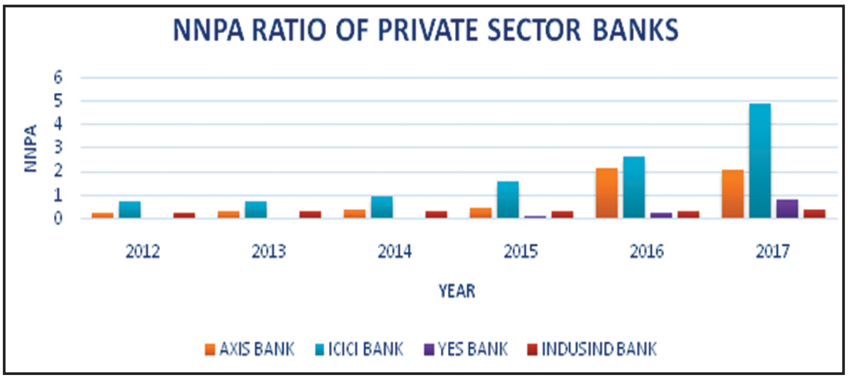
BANKS	2012	2013	2014	2015	2016	2017
YES BANK	0.22	0.2	0.31	0.41	0.76	1.52
INDUSIND BANK	0.98	1.03	1.12	0.81	0.87	0.93



Private Sector Bank (NNPA Ratio)

NNPA (%) in the years						
BANKS	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
AXIS BANK	0.27	0.32	0.4	0.44	2.18	2.11
ICICI BANK	0.73	0.77	0.97	1.61	2.67	4.89
YES BANK	0.05	0.01	0.05	0.12	0.29	0.81
INDUSIND BANK	0.27	0.31	0.33	0.31	0.36	0.39

Source: moneycontrol.com



Discussion on private banks:

The myth of better performance of private sector banks is also busting. The reasons are attributable to understatement of stressed assets, comparative lower credit growth, and low disbursements, low interest margins. Apart from economic factors, blame can be also forwarded to internal inefficiency, mismanagement, influence of political dictates. Analysts predict that the trend in private banks outpacing the system growth to continue even in coming quarters.

On a whole both set of private and public banks without fail need vigorous rescue measures to revive its sustainability. To achieve this, RBI and Government of India (GOI) already adopted various mechanisms which did not work in wonderstruck so some of the innovative techniques should be materialized and initiated for better banking future.

Suggestions and Recommendations:

Some of the recommendations are provided below:

- Merger
- Implementation of forensic audit
- To unveil the political ceiling
- Profuse Recapitalization
- Appointing Cost and Management Accountants (CMAs)

As per RBI mandate 2015, Forensic audit to trace the intention of the defaulters and to draw a line to their incessant loops in the repayment process can be a step in curing the NPAs.

To unveil the political ceiling to execute smooth bank dealings, to promote transparency and real accountability.

Appointment of professional experts like Cost and Management Accountants (CMAs) who can pioneer the control of NPA shocks, as the CMAs are having their expertise in analytical and strategic business decision making techniques coupled with logistics and risk analysis and thereby play a very key role in determining the actual costing method of the banking industry.

Public sector banks should stop the disorganized and whimsical lending ceremony to the favoured corporate without validating the justified Return on Investment (ROI). More so even if for the performing banking entities too, financial check up of the health before it becomes ailing and non performing is a must and such proactive and preventive measures can only prevent or minimize the future disaster.

Like countries namely China, USA and such advanced countries, India should also follow strengthening of banks, spearheading reforms of state owned enterprises by reducing their level of debt, proper asset backed securitization, implementation of incentives like tax break norms , exemption from administrative fees and clear cut asset valuation norms.

Adequate capitalization is a must for the revival and sustainability of the banking sector as in 2017 only $17 billion is being infused in the system in contrast with US Fed injected $2.27 trillion post 2008 and China $127 billion during 2004-07.

Adequate disclosures of NPA status, as hiding the fact can turmoil the image of the banking sector.

The banks should follow adequate provisioning measures with complete transparency as demanded by the RBI norms, subduing which can lead to de-growth and lower profitability. The project like infrastructure, steel, power, mining and such allied sectors with fluctuating earning potentials

Summary and conclusions: The need of the hour is to infuse in the financial system the strong market players to keep the banking organization floating otherwise in the next 20 years there will be no competition in the banking sector. The entire financial system will be inefficient unless followed up by the structural changes in the thinking of the Government and RBI rules and policies. The total bad loans amounted to almost 700000 crore, significant amount to deal with. The hard hit public sector banks are surrounded by the NPAs which got heightened in the past one year. In comparing with the BRIC countries the burgeoning NPAs demand immediate sustainable approaches to figure out its existence down the line 2020 and onwards. Merging of public sector banks is time consuming and will be having tremendous initial hiccups due to multiple bottle necks. It may be detrimental to the public, there can be political glitches in general too as private sectors also don't generate any major extra earnings through higher rate of interests or so. Priority sector lending is also mostly maintained by the public sectors; therefore Government should correctly devise a roadmap for the concerned banks to merge. MA

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Obituary

The Institute and its members deeply mourn the demise of CMA K. Gururaja Rao, Ex Chairman of Mysore Chapter and Retired General Manager of BEML, Mysore who left for heavenly abode on December 15, 2017. He was instrumental in initiating an oral coaching centre at the chapter's premises and an Examination center at D. Banumaiah's College of Commerce, Mysore for the benefit of the students pursuing the Cost and Management Accountancy course.

May his family have the courage and strength to overcome the loss.

TECHNOLOGY SERVICES OF PUBLIC SECTOR AND PRIVATE SECTOR BANKS:

A COMPARATIVE STUDY OF CUSTOMER SATISFACTION

The empirical results revealed that the public sector banks customers perceive more for "Core Banking Services" and in case of private banks the customers perceive more for "Internet Banking services" which is a good sign. In case of most of the attributes, perceived values of services of private sector banks are more compared to public sector banks.

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Professor
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In the organized segment of Indian economy, an efficient financial sector is an engine for economic growth. As a part of financial sector, the banking sector plays a pivotal role in the economic development of the country by mobilizing public savings and channelizing the flow of funds for productive purposes and keeps the process of economic growth of the country. This banking sector passed through several stages like nationalization of banks two time in the year 1969 and in 1980 to pave way for transformation enabling to implement different programmes like rural development and upliftment of economically weaker sections of the society, rehabilitation of sick industries and prevention of unemployment etc. The reform process started in the 90's posed a lot of challenges before the banking sector in India in the form entry of new generation tech-savvy private Banks. Technology has played a vital and unavoidable role in the advancement of banking system. Indian banks have taken lot of initiatives in the form of introduction of new customer friendly measures like 24-hour banking, 7-day and anywhere banking, internet banking, extended business hours, ATM network, core banking etc.in this regard with the intention of continuously build goodwill in the days to come.

Consumer Behaviour

In today's competition in Indian banking industry, customers make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency. Customers are increasingly aware of the options on offer in relation to the rising standards of service. In this context, expectations rise and customers become more critical of the quality of service. Service quality, customer satisfaction, customer retention and delight are now the major challenges gripping the banking sector in India. In addition to the service diversification, the idea of customer satisfaction and formulation of marketing strategies to drag the customer towards the banks are now the key issues taken in hand by the banks to survive. More specifically, retaining existing customers by enhancing the products and services has become the 'mantra' of the present day banks.

Customer satisfaction can be viewed as the future intentions of customers towards the service provider, which is more or less related to the attitude. Customer satisfaction is influenced by price, product quality, service quality and brand image. In the light of the existing research findings, interest in service quality is, thus, unarguably high.Thus, it is clear that offering quality service is a way of achieving success among competing services. This is particularly true in the case of firms that offer nearly identical services like banks. This service quality, has its own bearing on the satisfaction of the customers, may be the only way of differentiating oneself. Such differentiation can yield a higher proportion of consumers to choose the products and, hence, mean the difference between financial success and failure. Thus, understanding the satisfaction level towards various services is the need for the day for any service including banks.

Current Scenario and Different services Offered

Currently, overall banking in India is considered as fairly mature in terms of supply, product range and reach. Almost 70% of the businesses are still controlled by Public Sector Banks (PSBs) and dominating the commercial banking system. But the entry of private sector banks and foreign banks with latest technologyensured convenience and more choices to the customers and brought about a tough time to the Indian banks. These foreign banks aim at a profitable and wealthy part of the market and, in contrast to the Indian nationalized banks, do not recognize any social responsibilities to small account holders or to a rural and semi urban clientele. Thus, the Indian bank system faced the challenges and stiff competition with advancement of technology.

Statement of the problem

In the midst of severe competition, the banks strive themselves continuously to suit the expectations and requirements of the customers and satisfy them to survive in the market.

Electronic banking does offer exciting possibilities for payment mechanisms and other types of services and products, but there are many open questions that have still not been satisfactorily addressed and it has raised many issues before the service providers, the banking regulators and government agencies. Further, the current banking services using information technology are limited due to security concerns, complexity and technological problems. Moreover, reliable and systematic information on the scope of information technology in Indian context is still not sufficient.

There is a risk in the context of security concerns and risk of trust and frequent slow response time and delay of service delivery causes customers to be unsure that the transaction has been completed. The disruption of information access is a common factor prevalent among the customers which questions the delivery of quality service. The lack of financial resource and weak technical expertise have been two major obstacles in developing and maintaining e-banking services for many local banks in remote and rural cities or developing areas with good business potentials and opportunities. Confidentiality of consumer data is another important concern in the adoption of online banking.

Presence of the above said problems in using the different banking services offered by the banksnecessitated the banks to seek, continuously, knowledge about customer satisfaction or otherwise, to find out the area or attributes where the dissatisfaction lies and take necessary measures to overcome the limitations or difficulty causing dissatisfaction. This motivated for the present study.

Objective of the study

The objective of this study is to compare customer satisfaction towards technology serivices provided by public sector banks and private sector banks.

Scope of the study

The study covered comparison of services provided by the private and public sector banks in order to understand the area where the banks are lagging behind the other banks. It examined the customer satisfaction towards attributes of products/services offered by banks in terms of satisfaction level / agreeability level in terms of transactions based under each type of service or product and its attributes of Private banks in the country are operating.

Research Design

Empirical research design is considered to be the suitable method to find out the satisfaction level of the customers using the different types of services/products provided by the banks.

Source of Data

The data for this study consisted of both primary and secondary data. The primary data have been collected from the customers using questionnaire covering the personal details of the customers selected for the study and their behaviour towards the use of the technological services used by them, their perception towards the satisfaction level of each aspect of different services used by the banks. The secondary data have been used to support the primary data and collected from the sources books and Journals, Magazines and Websites.

Area of the Study

Namakkal District is selected as the area of the study by the researcher. It is an administrative district of Tamil nadu State, India. The district has 4 taluks (subdivisions); TiruchengodeÏ, Rasipuram, Velurand Kolli Hills. The main occupation in the district is agriculture. Nearly 90 percent of the cultivated area is under food crops. Namakkal district is also noted for Truck and Lorry external body building Rig Units and Poultry development produces about 65% of the egg output of Tamil Nadu. Transport is also the major field of work in Namakkal. The district has 15 public sector banks including State Bank of India with 77 and 8 branches respectively and 14 private sector banks with 47 branches. These banks meet the service requirements of the public, industrialists and others provided wide scope for using the bank products and services widely. Hence, the researcher has selected Namakkal district for the study. (Source:Wikipedia)

Population and Sampling

The population for the proposed study consisted of customers of public and private sector banks in Namakkal district. From this, respondents were selected using stratified random sampling. The stratification has been done based on the taluks, then in each taluk, private banks and public sectors banks were identified and 50 customers, 25 each from public and private sector banks, were personally contacted in the places of the banks after they have completed their work for which they are visiting. The sample of the study consists of the customers who are willing to participate in the study. Questionnaires are distributed to the customers and they are asked to give their perception in terms of satisfaction towards the services/products delivered by the bank.

Analysis and interpretation

A.Personal Information

The respondents of the study are classified on the basis of their socio-economic detailsusing the frequencies of each variable selected and the results are given in a Table 1.

TABLE1

Socio-economic Characteristics of the Sample Respondents

Character-istics	Variables and its characteristics	Respondents	
		Number	Percentage
Gender	Male	245.00	62.18
	Female	149.00	37.82
Age	Below 25 years	96.00	24.37
	25-35 years	138.00	35.03
	35 -50 years	99.00	25.13
	Above 50 years	61.00	15.48
Educational Level	Illiterate	62.00	15.74
	Upto school level	84.00	21.32
	Under Graduates	111.00	28.17
	Post Graduates	91.00	23.10
	Professional Level	46.00	11.68
Marital Status	Married	235.00	59.64
	Unmarried	159.00	40.36
Occupation	Student	52.00	13.20
	Businessman	138.00	35.03
	Professional	49.00	12.44
	Agriculture	68.00	17.26
	Salaried	40.00	10.15
	Housewife	25.00	6.35
	Others	22.00	5.58

Character-istics	Variables and its characteristics	Respondents	
		Number	Percentage
Computer literacy level	No knowledge on computer	100	25.38
	Operating knowl-edge	107	27.16
	Computer literate	131	33.25
	Fully trained	56	14.21
Type of Account Operated	Savings account	144	36.55
	Current Account	121	30.71
	NRI Account	16	4.06
	Demat Account	42	10.66
	Salary Account	21	5.33
	Fixed deposit	15	3.81
	Recurring deposit	35	8.88
Type of Bank	Public Sector Bank	295	74.87
	Private Sector Bank	99	25.13
Place of Branch	Rural	160	40.61
	Semi urban	103	26.14
	Urban	131	33.25

Source: Primary data

The above table showed the percentage distribution of socio-economic characteristics of respondents and the highest percentage of variables in each characteristics were male respondents(62.18%) under gender, 25-30 years of respondents (35.03%) graduates (28.17%) in case of education level, businessmen (35.03%) in case of occupation, computer literates (33.25%) under computer literacy, respondents operating savings bank account (36.55%), type of bank as public sector banks (74.87%), branch of bank located in in rural area (40.61%).

Comparison of Technology Service Offered By Public Sector and Private Sector Banks

For the purpose of the present study, the services and their attributes offered by private and public sector banks in the country to the customers were taken for the purpose of compared on the basis of their perceived values to know which of the Banks' services are perceived better.. These attributes are listed on the basis of discussion with the managers of selected banks in the study area and also from the pamphlets supplied by the banks. Comparison is done on the basis of mean values of the attributes, Standard Deviation of core banking service, ranking of the attributes were calculated. Null hypothesis is developed and tested by taking type of bank as independent variable and service attributes are taken as dependent variables. Levene's F value is calculated by assuming the concept of equal variance. The difference in perceived mean scores of public sector banks and private sector banks are ranked by the researcher in order to know the order of the perceived value of the customers.

Hypothesis:

"The mean values of selected technology service/ product (5 products) attributes are not significantly different between public sector banks and private sector banks". It is assumed that there are as many number of hypotheses for each service depended on the number of attributes in each service.

TABLE 2
Comparison of Core Banking Service

S. NO.	Product/Service Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
1.	Non base branch cash deposit/ with-drawal	4.12	1	4.33	1	-0.21	1.848	.175	Rejected
2.	Payment against pay order and pay order encashment	3.78	2	4.05	2	-0.27	18.919	.000	Accepted

S. NO.	Product/Service Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
3.	Demand draft encashment	3.59	6	3.88	4	-0.29	18.872	.000	Accepted
4.	Remote fund Transfer	3.50	10	3.80	7	-0.30	11.112	.001	Accepted
5.	Account Statement	3.67	5	3.83	6	-0.16	.592	.442	Rejected
6.	Clearing and balance enquiry within the branches of the same bank	3.71	4	3.99	3	-0.28	16.204	.000	Accepted
7.	Loan repayment facility	3.51	9	3.88	4	-0.37	5.549	.019	Rejected
8.	Multicity cheque payment	3.54	8	3.77	8	-0.23	9.741	.002	Rejected
9..	Local cheque collection - non base	3.73	3	3.67	9	+0.06	3.280	.071	Rejected
10.	Cheque collection	3.58	7	3.64	10	-0.06	.224	.637	Rejected

Source: Calculated from Primary data

From the above Table, it is observed that private sector banks get more advantage than public sector banks because the perceived mean value is high for private sector banks in all the service attributes except "local cheque collection – non base". It can be observed that six hypotheses are rejected because their corresponding Levene's F values are less than 10 at 5% level of significance as per the results of testing of hypotheses in the last column of the table and in case of the remaining four variables there is no significant difference between public sector and private sector banks. For the said six attributes, it is to be observed that private sector banks got more advantage than public sector banks.

(ii) Comparison of Service Attributes for Internet Banking Services

TABLE 3
Results of Comparison of Internet Banking Service

S. NO.	Service/ Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
1.	Availability of desired information	4.01	1	4.31	1	-0.30	.703	.402	Rejected
2.	Fund Transaction	3.66	5	3.93	3	-0.27	7.320	.007	Rejected
3.	Utility Bill payment	3.56	9	3.83	8	-0.27	10.497	.001	Accepted

S. NO.	Service/ Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
4.	Managing savings and current account	3.44	12	3.81	11	-0.37	5.900	.016	Rejected
5.	Card Service	3.66	5	3.87	6	-0.21	1.110	.293	Rejected
6.	Cheque Book Request	3.54	10	3.94	2	-0.40	25.055	.000	Accepted
7.	Request for stop payment on the cheques issued	3.54	10	3.83	8	-0.29	8.258	.004	Rejected
8.	Fixed deposit Placement	3.62	7	3.90	5	-0.28	5.199	.023	Rejected
9.	Requesting the Bank Statement	3.73	2	3.93	3	-0.20	5.614	.018	Rejected
10.	Security of the Transaction	3.67	3	3.77	12	-0.10	.056	.812	Rejected
11.	Time to get password of user id	3.56	7	3.82	10	-0.26	8.306	.004	Rejected
12.	User friendly website	3.68	3	3.86	7	-0.18	1.041	.308	Rejected

Source: Calculated from Primary data

From the above Table, it is observed that private sector banks get more advantage than public sector banks because the perceived mean value is high for private sector banks in all the service attributes of Internet Banking services.

It is observed that only two hypotheses are accepted and the other ten are rejected because their corresponding Levene's F values are less than 10 at 5% level of significance as per the results shown in the above table. Thus, it is found that in case of the ten variables, there is significant difference in the perceived values between public sector and private sector banks. For the said ten attributes, it is observed that private sector banks got more advantage than public sector banks.

(iii) Comparison of Service Attributes for Mobile Banking Services

Table 4

Comparison of Mobile Banking Service

S. NO.	Service/ Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
1.	Daily balance alert	3.86	2	4.23	1	-0.37	4.243	.040	Rejected
2.	Debit alert	3.65	3	3.94	4	-0.29	25.425	.000	Accepted
3.	Credit alert	3.55	5	3.85	5	-0.30	16.801	.000	Accepted
4.	Cheque Clearing/ Submit alert	3.58	5	3.81	8	-0.23	7.368	.007	Rejected
5.	Cheque return alert	3.50	7	3.73	11	-0.23	11.985	.001	Accepted

S. NO.	Service/ Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
6.	Balance enquiry	3.95	1	4.09	2	-0.14	2.074	.151	Rejected
7.	Transaction enquiry	3.61	4	4.01	3	-0.40	28.743	.000	Accepted
8.	Cheque status enquiry	3.49	8	3.85	5	-0.36	21.086	.000	Accepted
9.	Stop payment instruction	3.34	11	3.74	9	-0.40	22.964	.000	Accepted
10.	Cheque book request	3.40	10	3.82	7	-0.42	29.137	.000	Accepted
11.	Term deposit enquiry	3.42	9	3.74	9	-0.32	9.935	.002	Rejected

Source: Calculated from Primary data

From the above Table, it is observed that private sector banks get more advantage than public sector banks because the perceived mean value is high for private sector banks in all the service attributes of Mobile Banking services.

It is observed that only seven hypotheses were accepted and the other four are rejected because their corresponding Levene's F values are less than 10 at 5% level of significance. Thus, it is found that in case of those seven ariables there is no significant difference between public sector and private sector banks. For the said our attributes, it was observed that private sector banks get more advantage than public sector banks.

(iii) Comparison of Service Attributes for Tele Banking Services

TABLE 5

Comparison of Tele Banking Service

S. NO.	Service/ Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
1.	Account details information	3.84	2	4.16	2	-0.32	4.656	.032	Rejected
2.	Account balance inquiry	3.59	4	3.84	5	-0.35	10.527	.001	Accepted
3.	Information about new products and service offered	3.51	6	3.76	7	-0.25	9.775	.002	Rejected
4.	Credit card service	3.51	6	3.80	6	-0.29	14.948	.000	Accepted
5.	ATM card activation	4.09	1	4.23	1	-0.14	.703	.402	Rejected
6.	Cheque book related service	3.84	2	3.85	4	-0.01	2.007	.157	Rejected
7.	Utility bills payment	3.53	5	3.89	3	-0.36	6.953	.009	Rejected
8.	Fund transfer between current and savings account	3.40	10	3.74	9	-0.34	21.097	.000	Accepted
9.	Stop cheque payment instruction	3.37	12	3.53	11	-0.19	6.677	.010	Rejected
10.	Requisition of new cheque book	3.47	9	3.70	10	-0.26	5.693	.018	Rejected

S. NO.	Service/ Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
11.	Money transfer between accounts	3.51	6	3.76	7	-0.25	6.402	.012	Rejected
12.	Time required to set a resource	3.39	11	3.61	9	-0.22	2.806	.095	Rejected

Source: Calculated from Primary data

From the above Table, it is observed that private sector banks get more advantage than public sector banks because the perceived mean value is high for private sector banks in all the service attributes of Tele Banking services.

It is being observed that only three hypotheses are accepted and the other nine were rejected because their corresponding Levene's F values are less than 10 at 5% level of significance. Thus, it is found that in case of those nine variables there is significant difference between public sector and private sector banks. For the said nine attributes, it can be observed that private sector banks get more advantage than public sector banks.

(v) Comparison of Service Attributes for Automated Teller Machine(ATM) Services

TABLE 6

Comparison of Automated Teller Machine

S. NO.	Service/ Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
1.	Availability of Cash for withdrawal	3.96	1	4.32	1	-0.36	1.757	.186	Rejected
2..	Details of most recent balance available in the account	3.73	2	3.99	3	-0.26	18.730	.000	Accepted
3.	No. of. ATMs available in the locality	3.48	12	3.76	12	-0.28	15.817	.000	Accepted
4.	Availability of cheque drop box	3.43	14	3.67	18	-0.24	4.634	.032	Rejected
5.	Availability of printed forms	3.54	7	3.90	4	-0.36	6.581	.011	Rejected
6.	Availability shared net working	3.42	15	3.79	10	-0.37	22.657	.000	Accepted
7.	Response to a query	3.58	5	3.87	8	-0.29	12.987	.000	Accepted
8.	Printed statement of transaction	3.54	7	3.83	9	-0.29	9.096	.003	Rejected
9.	Deposit cash facility	3.39	16	3.70	14	-0.31	12.827	.000	Accepted
10.	Mini statement of latest transactions	3.66	3	4.02	2	-0.36	4.696	.031	Rejected
11.	Cheque book request	3.59	4	3.7	14	-0.11	4.223	.041	Rejected
12.	Convenient location	3.48	12	3.88	6	-0.30	18.845	.000	Accepted
13.	Provides secured service	3.52	9	3.89	5	-0.30	17.830	.000	Accepted
14.	Facility to change pin number	3.58	5	3.77	11	-0.30	25.758	.000	Accepted

S. NO.	Service/ Attributes	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
15.	Provides services in different languages	3.38	17	3.69	17	-0.31	18.985	.000	Accepted
16.	Acknowledge me by name on screen during the transaction.	3.52	9	3.72	14	-0.20	12.278	.001	Accepted
17.	Time taken to complete the process	3.39	16	3.76	13	-0.37	11.618	.001	Accepted
18.	Queues at ATM	3.49	11	3.88	7	-0.39	3.989	.046	Rejected

Source: Calculated from Primary data

From the above Table, it is observed that private sector banks get more advantage than public sector banks because the perceived mean value is high for private sector banks in all the service attributes of ATM Banking services.

It is observed that eleven hypotheses are accepted and the other seven are rejected because their corresponding Levene's F values are less than 10 at 5% level of significance. Thus, it is found that in case of those ten variables there has been no significant difference between public sector and private sector banks. For the said seven attributes, it is observed that private sector banks get more advantage than public sector banks.

Comparison of Pooled Services

For the purpose of comparison the attributes of each services are pooled under the particular service and such the mean scores of the services/products along with the difference of mean scores, Levenes' F value, sig. (2 tailed) are calculated and the results of the hypothesis are shown in Table 7

Null Hypothesis

"The mean Values of service/product attributes are not significantly different between public sector banks and private sector banks".

Table 7
Comparison of Overall Services

S. NO.	Service	Public Sector	Rank	Private Sector	Rank	Difference of mean	Levenes' Value	Sig.(2 tailed)	Result of Hypothesis
1.	CBS	3.68(.462)	1	3.88	3	-0.20	15.461	.000	Accepted
2.	IBS	3.64(.531)	2	3.9	1	-.036	13.201	.000	Accepted
3.	MBS	3.58()	4	3.89	2	-0.31	37.833	.000	Accepted
4.	TBS	3.59	3	3.82	5	-0.23	20.957	.000	Accepted
5.	ATM	3.54	5	3.84	4	-0.30	34.063	.000	Accepted

Source:Calculated from Primary data

From the above table, it is observed that private sector banks get advantage than public sector banks in all the five services that are considered for our study. The standard error mean of all the cases are less than 0.05. It means that the deviation of sample mean with population mean is less according to standardized value (0.05). It reveals that the strategy which is obtained best by the respondents can be generalized.

To test the null hypothesis independent t-test by taking kind of bank as independent variable and service attributes as dependent variables. Mean and Standard Deviation scores of service attributes for public sector and private sector bank are calculated independently and to test the significant difference mean, Levene's F-value is calculated. It can be observed that all the five services/ products are accepted as corresponding Levene's F-values are more than 10 at 5% level of significance. It is also observed that in case of both the public sector banks Customers perceive more for "Core Banking Services" and in case of private banks the customers perceive more for "Internet Banking services" which is a good sign.

Conclusion

The banks in the 21st Century use technology in expanding their activities and treat it as main focus. The banks in India are using Information Technology (IT) to improve their own internal processes and increase facilities and services to their customers. Efficient use of technology has facilitated accurate and timely management of the increased transaction volume of banks of that comes with larger customer base. The study revealed that customers perceived more value towards the products of private sector banks. But private sector banks have freedom and flexibibilityindesigning their services and free from restrictions that the public sector banks have. By designing and offering simple, safe and secure technology, taking efforts especially to focus on certain specific areas like quick completion of transaction promptly handling customers request instantly attending the customers problems with expertise, ensuring privacy of transactions by adopting suitable strategies to promote their services/products and assuring sustainable development. MA

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PROFICIENCY OF STRATEGIC COST MANAGEMENT TECHNIQUES AND ITS APPLICATIONS IN THE CITY UNION BANKS (CUB)

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Today, the concept of Strategic Cost Management (SCM) techniques and implementation methodology took a new dimension for incorporating cost related information in order to make effective decision making to sustain the banking sector's strategic plan. SCM focuses on structural cost element for long run orientation. It's a meaningful way to add strategy and cost classification. SCM is implemented to control proliferation. At present, the customers are more aware about their market, force from economic market and coming out of product category killers.

In this background, the study primarily focuses on the efficacy of Strategic Cost Management techniques and its implementation in the City Union Banks (CUB) in Coimbatore District. Where most of the bankers and their customers are involved many strategic plans such as business re-alignment, process costs, technology automation, channel optimization, staff productivity and vendor associations at various level in their Banking activities today. In this condition, an attempt is made to understand Proficiency of Strategic Cost Management techniques and its applications in the City Union Banks (CUB). The investigation is carried out with the help of a well thought-out questionnaire administered to the respondents (Bankers and Customers) and with the help of their responses analysis is made thereafter, which is followed by findings of the study with few suggestions.

In the present scenario, life of many banking industries are depend upon the proficiency of meticulousness of Strategic Cost Management (SCM) techniques, increase in the ability to implement the application oriented techniques to improve the performance of their banking activities in the today's world. This leads special concentration on the decreasing the cost elements or actual cost in the whole process of production process and its supply chain management. In order to improve the performance, it's very important to use better strategies such as business re-alignment, process costs, technology automation, channel optimization, staff productivity and vendor associations in the Indian banking Sectors to improve their ability in providing best services to both the bankers as well as to their customers.

Objectives of the Study

To comprehend the proficiency of Strategic Cost Management (SCM) in the Banking Sector; and

To know the implications and effectives of strategic cost management techniques in the City Union Bank (CUB), Coimbatore.

Hypothesis of the Study

H01: Strategy Cost Management techniques influence the performance and proficiency of City Union Bankers (CUB) and their Customers.

Sample Design

The Multi Stage Sampling method is used for the present study in the selected area. In the first stage, the respondents are selected based on the implementation of effective Strategic Cost Management (SCM) techniques in the banking sector. Second stage area wise selection is done, where in Tamil Nadu, Coimbatore district is chosen and in the third stage, the study concentrated on CUB bankers and their customers. The sample size taken for the study is 28 bankers and 44 CUB customers of Coimbatore.

Statistical Tools and Techniques

The present study has used percentages and Structural Equation Model (SEM) - Amos (Analysis of Moment Structures) (IBM version 20.0) is used which is an easy-to-use program for visual SEM. With Amos, you can quickly specify, view, and modify your model graphically using simple drawing tools.

Period of the Study

The study covered a period of one year from July to October, 2017.

Sources of Data Collection

Primary data for the study are collected from the selected group of University stakeholders such as CUB Bankers and their customers in the in Coimbatore District. Secondary data are collected from books, journals, research papers, newspapers, on-line sources, Reports of Economic Indicators, RBI web portal, India statistic, CMIE Reports, Bankers Association, National Institute of Bank Management (NIBM) and University Library resources (Both offline and Online sources) etc.,

Analysis and Interpretation

The present study focused mainly on the Strategic Cost Management and its effective implementation in the CUB, Coimbatore. With the help structure questionnaire, the collected data is presented here.

(a) Socio Economic Profile of Respondents

Table – 1: Demographic Profile of the Respondents

Category	Banker		Customers		Total	
Group	N	Per cent (%)	N	Per cent (%)	N	Per cent (%)
Gender						
Male	16	**57.14**	28	63.64	44	61.11
Female	12	42.86	16	36.36	28	38.89
Total	**28**	**100.00**	**44**	**100.00**	**72**	**100.00**
Age						
25 - 35	02	07.14	06	13.63	08	11.11
35 - 45	11	39.29	14	31.82	25	34.72
45 - 55	09	32.14	19	43.18	28	38.89
55 and Above	06	21.43	05	11.36	11	15.28
Total	**28**	**100.00**	**44**	**100.00**	**72**	**100.00**
Marital Status						
Married	22	78.57	32	72.72	54	75.00
Single	06	21.43	12	27.28	18	25.00
Total	**28**	**100.00**	**44**	**100.00**	**72**	**100.00**
Educational Level/Positions						
SSLC	01	03.56	11	25.00	12	16.67
Pre University Level (PUC) / + II	03	10.74	05	11.36	08	11.11
Diploma/Certificate Course/Professional Degree	02	07.14	09	20.45	11	15.28
Under Graduates	18	64.28	13	29.55	31	43.06
Post Graduates	04	14.28	06	13.64	10	13.88
Total	**28**	**100.00**	**44**	**100.00**	**72**	**100.00**

Source: Survey Data, 2017, N – Number of samples, Sample size: N – 72

Table – 2: Effective usages and attentiveness of Strategic Cost Management Techniques among the CUBs Bankers

l. No.	Strategic Techniques	Effectiveness				
		Extremely Effective	Very Effective	Moderately Effective	Slightly Effective	Not at all Effective
01.	Business Re-Alignment (BR)	15 (20.83%)	12 (16.67%)	21 (29.17%)	10 (13.89%)	10 (13.89%)
02.	Channel Optimization (CO)	13 (18.06%)	14 (19.44%)	12 (16.67%)	11 (15.277%)	22 (30.56%)
03.	Process Costs(PC)	10 (13.89%)	12 (16.67%)	10 (13.89%)	17 (23.61%)	23 31.94%)
04.	Staff Productivity(SP)	23 (31.94%)	10 (13.89%)	16 (22.22%)	14 (19.44%)	09 (12.5%)
05.	Technology Automation (TA)	32 (44.44%)	10 (13.89%)	09 (12.5%)	10 (13.89%)	11 (15.28%)
06.	Vendor Associations (VA)	19 (26.39%)	11 (15.28%)	12 (16.67%)	11 (15.28%)	19 (26.39%)

Source: Survey Data, 2017

Note:

(a) The numbers mentioned in the parenthesis ( ) represents the percentages and the Percentages are shown in row wise; N – Number of samples, Sample size: N – 72

(b) Extremely Effective (EE) – (5) ; Very Effective (VE) – (4) ; Moderately Effective (ME) – (3); Slightly Effective (SE) – (2) and Not at all Effective (NAE) – (1)

Table – 3: CUB's Awareness about the Strategic Cost Management System

Sl. No.	Strategic Techniques	Effectiveness				
		Strongly Aware	Aware	Moderately Aware	Slightly Aware	Not at all Aware
01.	Business Realignment (BR)	9 (12.5%)	35 (48.62%)	13 (18.056%)	6 (8.33%)	9 (12.5%)
02.	Process Cost (PC)	48 (66.67%)	1 (1.39%)	5 (6.95%)	8 (11.11%)	10 (13.89%)
03.	Channel Optimization (CO)	15 (20.83%)	12 (16.67%)	11 (15.28%)	22 (30.56%)	12 (16.67%)
04.	Staff Productivity (SP)	13 (18.056%)	15 (20.83%)	19 (26.39%)	21 (29.17%)	04 (5.57%)
05.	Technology and Automation (TA)	29 (40.28%)	20 (27.78%)	10 (13.89%)	05 (6.95%)	08 (11.11%)
06.	Vendor Relationships (VR)	32 (44.44%)	12 (16.67%)	05 (6.94%)	12 (16.67%)	11 (15.28%)

Source: Survey Data, 2017

Note:

The numbers mentioned in the parenthesis ( ) represents the percentages and the Percentages are shown in row wise; N – Number of samples, Sample size: N – 72

Table – 4: Proficiency of Strategic Cost Management techniques and its applications in the City Union Bank's (CUB)

Sl. No.	Strategic Techniques	Effectiveness				
		Strongly Aware	Aware	Moderately Aware	Slightly Aware	Not at all Aware
01.	Channel Proliferation (CP)	25 (34.72%)	24 (33.33%)	11 (15.28%)	10 (13.89%)	02 (2.78%)
02.	Consumer in the Know(CK)	48 (66.67%)	01 (1.39%)	05 (6.94%)	08 (11.11%)	10 (13.89%)
03.	Pressure from Financial Markets(PFM)	04 (5.57%)	21 (29.17%)	19 (26.39%)	15 (20.83%)	13 (18.06%)
04.	Emergence of Product Category Killers (EPCK)	02 (2.78%)	10 (13.89%)	11 (15.28%)	24 (33.33%)	25 (34.72%)
05.	The Value Chain (VC)	29 (40.28%)	20 (27.78%)	10 (13.89%)	05 (6.94%)	08 (11.11%)
06.	Activity Based Costing (ABC)	32 (44.44%)	12 (16.67%)	05 (6.94%)	12 (16.67%)	11 (15.28%)

Source: Survey Data, 2017,

Note:
(a) N – Number of samples, Sample size (N) – 72, (b) Strongly Aware (5); Aware (4); Moderately Aware (3); Slightly Aware (2); Not At all Aware (1)

Table – 5: Strategic Cost Drivers influences the Bankers and their activities of City Union Bank's (CUB)

Sl. No.	Cost Drivers	Influencing Factors ranked				
		Not all Influence (1)	Slightly (2)	Somewhat (3)	Moderately (4)	Extremely (5)
01.	Activity Cost Drivers (ACD)	19 (26.39%)	11 (15.28%)	12 (16.67%)	11 (15.28%)	19 (26.39%)
02.	Organizational Cost Driver (OCD)	32 (44.44%)	10 (13.89%)	09 (12.5%)	10 (13.89%)	11 (15.28%)
03.	Structural Cost Drivers (SCD)	23 (31.94%)	10 (13.89%)	16 (22.22%)	14 (19.44%)	09 (12.5%)

Source: Survey Data, 2017,

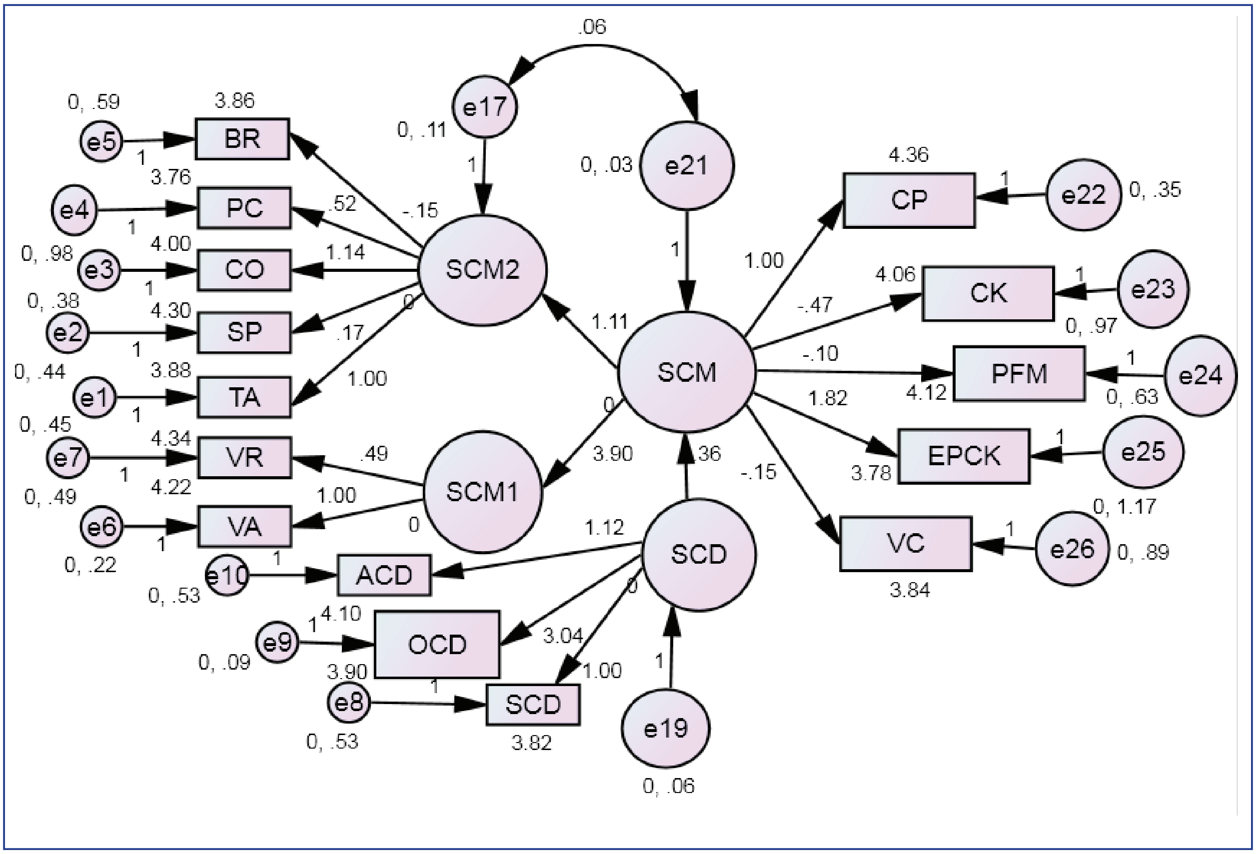
Note: (a) N – Number of samples, Sample size (N) – 72, (b) Strongly Aware (5); Aware (4); Moderately Aware (3); Slightly Aware (2); Not At all Aware (1)

Testing of Hypothesis

It is a proposition formulated for empirical testing, a tentative descriptive statement that describes the relationship between two or more variables. In the study the hypotheses taken are:

H01: Strategy Cost Management techniques influence the performance and proficiency of City Union Bankers (CUB) and their Customers.

Model – 1: Proficiency of Strategic Cost Management techniques and its applications in the City Union Bank's (CUB)



Results and Discussion

Table – 5: Summary Results of Measurement Model

Model	X^2	df	P Value	RMSEA	PGFI/ PCFI	NNFI	CFI	RFI	CMIN/DF
H_0	488.545	98	0.000	0.021	0.862	0.299	0.941	0.169	1.985

Source: Survey data, 2017

The Chi-Square (**X^2**) value of 488.545 with the 98 degree of freedom is at the 0.05 (5%) significant level: its p – value is 0.000. This finding suggests that model fits the data acceptably from selected stakeholders of Universities in Coimbatore district. Corroborating evidence is provided by the RMSEA fit statistics 0.021 the obtained value of 0.008 is less than the cutoff 0.08. Similarly, the Tucker Lewis Index (TLI)/CMIN - DF result of 1.985 is considerably above the 0.95 threshold denoting satisfactory model fit.

In the above Model – 1, Proficiency of Strategic Cost Management techniques and its applications in the City Union Bank's (CUB) causes the scores observed on the measures variables regarding SCM and its efficacy while the stakeholders (Customers and Bankers) of the CUB stakeholders who are concentrated towards the SM techniques to perform their banking activities effectively to improve the quality of the Indian Banking Sector. The impact of the SCM drivers and its influencing factors on the CUB stakeholders including banker and customers are represented by single-headed arrows in the path diagram. Since the chi –square test of absolute model fit is reported, along with its degrees of freedom and probability value.

Conclusion

To recapitulate, the Strategic Cost Management (SCM) and its drivers strongly impact on the banking performance in various aspects. The various strategic tools and techniques which were uses in the CUB for various activities to improve the proficiency through SCM techniques plays a significant role on the development of both the banker and customers of CUB, Coimbatore. Currently, it could be suggested that to improve the strategic foresight and strategic vision is hampering the growth and development of best SCM in the Indian banking sector to identify stakeholder's (banker and customers) value, growth, responsiveness change in the development and proficiency the activities in the Indian Banking sector with the help of proper SCM in the banks. MA

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Obituary

The Institute and its members deeply mourn the demise of CMA S. N. Balasubramanian, a very senior, an eminent and fellow member of the Institute who left for heavenly abode on November 20, 2017 in Mumbai. He was the Director for Sunil Healthcare Ltd, a reputed Listed Company in the Pharmaceutical Industry and the Cost Auditor for several reputed companies. He was also associated with various social activities.
May his family have the courage and strength to overcome the loss.

FINANCIAL INCLUSION OF SOCIETY AT LARGE-CHALLENGES AND NEED OF POLICY INTERVENTION

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Financial Inclusion is a much cherished policy objective for India; the Indian economic policy has always been driven by an intent of a sustainable and inclusive growth. The policy makers in India, i.e., Government of India and the RBI, had an early realisation about the implications of poverty for financialstability and have endeavored to ensure that poverty is tackled in all its manifestations and that the benefits of economic growth reaches to the poor and excluded sections of the society(Mundra(2016)).

Its main objective is to bring the bottom of the pyramid of financial landscape under the ambit of formal banking and financial system.RBI's financial inclusion efforts can be traced back to the 1960s when thefocus was on channelizing of credit to the neglected sectors of the economy and weaker sections of the population. Since 2006, RBI has adopted a planned and structured approach to address the issues of financial inclusion. RBI's approach has been to focus both on thedemand as well as on the supply side, and has been possible due to the gradual adoption of technology within the banking processes interwoven with other players in financial system.

Financial inclusion is the process of ensuring access to financial services and timely and adequate credit to vulnerable groups such as weaker sections and low income groups at an affordable cost. There is growing concern in Indian continental, as liberalization improves financial products and services for the few, it simultaneously accentuates denial of services for others. There is a huge unmet demand for financial services both savers and borrowers. This research paper shows how financial inclusion is viewed as a policy priority and improving the policy in Indian continental.

Value-laden Issue

Development is a value-laden issue demanding explicit ethical analysis. From a policy perspective, economic growth refers to the increase or growth of a specific measure such as real national income, gross domestic product, or per capita income. Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a citizens of country.

It refers to improvements in a variety of indicators such as literacy rates, life expectancy, standard of living of people of country at large, availability of nutritious foods, health care facilities, to earn sufficient return from the life time saving, and also to reduce poverty rates. Economic development is a complex multi-dimensional concept involving improvements in human's well-being, howsoever defined.

Seers (1969) argues that development is about outcomes, that is, development occurs with the reduction and elimination of poverty, inequality and unemployment within a growing economy. Todaro & Smith (2015) explained three objectives of development like

a. Generating more 'life sustaining' necessities such as food, shelter, and health care and broadening their distribution;
b. Raising standards of living and individual self-esteem; and
c. Expanding economic and social choice and reducing fear.

Clustering based on Socio-economic parameters

For any country's social-economic parameters to progress sustainably, it demands an efficient banking and financial system that can mobilise savings, satisfy need of society at large, and allocate it efficiently for productive investment. India has been increasing towards savings oriented society (with a gross savings to GDP ratio moved from 18.52% in 1975 to 27.95% in 2000, and to 33.61% in 2014). The foremost financial needs – in demand and supply side, clustered in three parts, as under.

1. Lower-income group: It is essential that each person access the financial system, and receive satisfactory returns to maintain standards of living. Lower income people stop consumption or move to inferior-quality products if inflation or regular income from their past savings becomes adverse.

The financial sector policies in India have long been driven by the objective of increasing financial penetration and outreach, the goal of universal inclusion has eluded us. Hence, the need of today is to find out new approaches to financial inclusion that build on the lesson of past, but also involve trying out newer approaches and policy interventions considering the demographical status of India. Importantly, this also requires a change in the mindset of policymakers, practitioners and other stakeholders to figure out and put in place effective ways of reaching out to hitherto un-reached and under-reached segments of Indian population.

The study has been undertaken to study the present status quo of financial inclusions, its challenges and in turn to suggest the policy intervention needs. The study tries to focus on the clustering of the population, their needs, the present level of situational problems, and in turn its future impact on generations. The researcher has also tried to clustering the population, as low income group, medium income group and upper income group; and studied their position in India. The study tries to focus on these parameters, co-joined with societal need in addition to process orientation of financial inclusion and its' players.

2. Medium-income group: Most of people in this group have started to access financial activities, but wealth is concentrated. Medium income people reduce consumption or move to inferior-quality products if inflation or regular income from their past savings becomes adverse. For this group, it is planning, i.e., a financial plan to allocate their hard-earned savings in a way that they are able to beat inflation in long-term and survive in old age or in the age of disability without burden on their children.

3. Upper-income group: Most of the people in this group, it is choice of selection of financial products. They have sophisticated financial investments but are looking for the higher level of financial inclusion.

Growth of Sustainable Livelihoods and Financial Inclusion

A sustainable livelihood comprises the capabilities, assets and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets while not undermining the natural resources base. In addition to micro-credit, this comprises natural capital i.e., natural resources. The most important arguably is economic or financial capital which financial inclusion enables. It also prompts and encourages human capital, i.e., skills, knowledge, good health, ability to labour, etc. It also capitalizes on the networks of social capital-the social resources (networks, social claims, social relations, affiliations, associations) on which people drawn upon and which it buttresses.

The choice of investments by Indian household in physical assets and/or financial assets have been seen earmarked changes over the period. During the period of 1990 to 2000; and in the year 2007-08 people, preferred to invest in financial assets over physical assets. During the period of 2000 to 2007 and 2008 to 2015, preference moved towards physical assets. The Financial Savings during 2014-15, 2015-16 & 2016-17 were Rs 12,826 billion, Rs 15,142 billion and Rs 18,204 billion; indicates the steep increase of around 20%. The savings in Physical Assets were Rs 14,650 billion, Rs 14,164 billion, Rs 15,908 billion and Rs 14,951 billion during 2012-13, 2013-14, 2014-15 and 2015-16 respectively. The above data clearly indicates that there has been a gradual increase in financial savings rate over the last few years.The total financial liabilities of the households have increased from Rs 4,317 billion (in 2015-16) to Rs 5,747 billion (in 2016-17).

Demand for gold in India for the second quarter (April-June) of 2017-18 was at 167.4 tonnes, up by 37 per cent compared to overall Q2 demand of 122.1 tonnes for 2016 (World Gold Council Data). Both jewellery and investment demand saw a healthy rise of 41% and 26% respectively, albeit on a low base of Q2 2016" said Somsundaram PR, Managing Director, India, World Gold Council.

Financial Repression

Development focuses on the need for developing economies to allow real interest rates (along with other financial indicators) to be determined by market forces. Though originally focusing on interest rates, the financial repression approach also incorporates the adverse effects of high reserve ratios, higher interest rate for productive investments in country, reducing the interest rate for savers of country, and policy of government directed credit programs, etc. These all factors together contributed to lower productive investment by Tiny, Small and Micro Enterprises (TSMEs), repercussion of lower and middle class population with respect to income generated from life time savings for old age survival, low savings in organized financial markets (not to consider the impact of demonetization), savings to move into unproductive assets (gold, silver, etc.), and credit rationing for TSMEs. The effect of financial repression leads to extended debates on impact of low real interest rate on savings and long term deposits of savers; and investment level in country by traders, manufacturers, service providers, etc.; and other effects on economic growth.

The higher recovery of services charges, coupled with reduction in savings and fixed deposits interest rate, also the duplicated efforts and undue repetitive documentations needs by bankers, etc., forced the lower and middle class person to away from formal banking system. This results in to savings moved to physical assets, like gold.

The problems, happen today on account of across the board reduction is that, the poor and middle class person, monthly income is reducing, which force them to reduce the standard of living. This also, going to be results in to lesser nutritious availability for self and also for their grandchildren. The lesser income to superannuated persons, results into their own children to take care of them. The diversion of funds or regular income of children to parents, results into lesser financial availability of their own children. This will in turn in future, say after 30 years from now, going to be quite harmful for country as quantum of unproductive, uneducated, partly literate and unhealthy populations will be available.

Suggestions for Policy Interventions

Sections of society, those would warrant special focus are i) the small and marginal farmers, share croppers,ii) TSMEs, iii) the low salary earners,iv) employed professionals and/or middle level employees, v) physically impaired personnel, vi) sufferers of dreaded diseases, vii) small traders, and viii) employees working in the unorganized sectors, etc. Collectively, these section makes a significant part of the population that needs enhancement in their financial capabilities. Also, these sections are extremely important contributors to the country's GDP, labour force, and society's responses.

In India, economic development and financial inclusion seen in tandem, hence the ends and means of development require examination and scrutiny for a fuller understanding of development process, taking care of all demographical population, and enhancing the lives population enjoying.

The researcher tries to draw the certain suggestions for policy interventions to have meaningful and socially benefited financial inclusion in country. The suggestions are broadly bifurcated in to two parts, i.e., process oriented and societal oriented.

A: Process Orientation:

1. Efforts towards 'financial inclusion' include sensitizing the banks to the banking and financial needs of the sections of society's people and ensuring access to basic banking facilities and services with reasonable supports and without duplications of documentations.
2. To enhance the livelihood among poor people, promotional financial services are required in the nature of micro-credit. In addition to micro-credit whole range of resources and opportunities (in the form of supporting market linkages, adapting technologies, organizing producers, etc.) are to be made available.
3. Supporting to create structure in remote villages through the help of self-help-group for identification and initiating income generating activities through formal financial institutions engaged in the well-defined processes of financial inclusion.
4. Banks are to be permitted to utilize services of NGOs, SHGs, MFI and other civil society organization as intermediaries in providing financial and banking services through the use of business facilitator and banking correspondent model.
5. To improve credit delivery mechanisms to the small borrowers, particularly in agriculture, and for TSMEs, by creating a conducive environment for banks to provide adequate and timely finance at reasonable rate without procedural hassles.
6. Indian banks and financial institutions should actively promote the programs to educate persons from socially and financially disadvantaged, or lower knowledge or no knowledge on matters relating to their financial needs over the life span of them.
7. Social institutions like financial market players, bankers and financial institutions should play a proactive part in development of realizing general welfare, as India did not have the old-age care system.
8. Linking of the savings bank account, fixed deposits accounts, income earnings securities, etc., through Unique Identification Number (Aadhar Number) jointly of husband and spouse. So the societal orientation can be monitored properly.
9. Introduce the Home Savers Account, with insignificant contribution or irregular contribution, for specified period, and link it with borrowing capacity of account holder.

B: Societal Orientation:

1. To enhance the creditability and easiness of coin currency as identifiable, for poor, illiterate and visually handicapped persons, etc., the shape and size of coin, should be such that, person can make out easily the value of each coin.
2. Make the zero balance and zero charges applicable to all savings related account. This would support to move towards cash less economy.
3. Encourage the chequeing transactions starts from smaller value like Rs 50, so that need of hard paper currency would be reduced drastically. The chequeing clearances supported by today's technology so that cost burden is insignificant or else that cost can be beard by Central Government as Fiscal part.

4. The interest rate for lower and middle class, and poor people, should be at such a level that, they can maintain their survival in normal situations. The cutting of the rate of interest across the board for all people, is not justifiable. For example, individual with upto Rs 10 lakh, will get reasonable return per annum like 12% (payable monthly); beyond which the interest rate may be lower. In today's time Rs 10,000 per month is needed by two aged persons, to survive includes medical needs, etc.
5. In lending side, provide interest rate subsidies on small-ticket home loans and personal loans. Incentive in cash-credit limits as supporting activities to be provided to TSMEs, as they employ's a large proportion of our population. The gold loan gave the ability to raise credit.

Conclusion

Financial inclusion is a national priority for the Indian Government as it is an enabler for inclusive growth. In conclusion, researcher is of the opinion that the cherished goal of Universal Financial Inclusion can be achieved only through synergistic efforts between the mainstreamfinancial entities and fringe players like rural co-operatives, NBFCs, MFIs, credit societies, NGOs ,etc. All of them have to play a complementary role in championing the cause of financial inclusion. Time is ripe to weave a financial inclusion tapestry where all these institutions can fit in a manner which brings about their contribution in the most efficient manner. This is where the efforts of the Government and RBI are currently focused. Researcher hope that this research paper would provide necessary suggestive guidelines for policy intervention by Government of India, NITI Aayog, and Reserve Bank of India. MA

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Congratulations!!!

Our heartiest congratulations to CMA Dr PVS Jagan Mohan Rao, Council Member of the Institute having been unanimously elected in the Council Meeting of the Institute for the position of Vice President of South Asian Federation of Accountants (SAFA) which is an apex body of SAARC at New Delhi on December 20, 2017. CMA Dr PVS Jagan Mohan Rao who is already holding position of Chairman of Professional Accountants in Business (PAIB) Committee of SAFA and a Member of PAIB Committee of International Federation of Accountants (IFAC) from India would take over the new charge with effect from January 1, 2018. We wish CMA Dr PVS Jagan Mohan Rao the very best in all his future endeavours.

FINANCIAL SUSTAINABILITY OF SMEs BY INJECTING DEBT FINANCE

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1.1 Introduction & Background of the study

Small and Medium enterprises (SMEs) and financial institutions are vital contributors to the overall performance of an economy, SMEs play a crucial role in developing the economy and in creating employment, which do not only provide employment and income opportunities to a large number of people, but also are at the forefront of technological innovations and export diversification. Similarly, financial institutions play an indispensable role in firm's financial performance and thus industry productivity and economic growth.

The term SMEs covers a wide range of definitions and measures, varying from country to country and between the sources reporting SME statistics. Although there is no universally agreed definition of SME. Some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital or turnover.

However, the most common basis of defining SMEs is number of employees (Nugent, 2001). Small and Medium Enterprises are firms that employ ten to 250 employees (Kushnir, Mirmulstein and Ramalho, 2010). SMEs serve an economy by satisfying the demands of various economic entities for which there are lower scale economies of production or distribution.

SME is becoming increasingly crucial to economic growth. The issue of SMEs development ranks high among the priorities of socio-economic development, given the growing need for employment creation and poverty alleviation (Nugent, 2001). Nugent (2001) further noted that there is also an urgent need to create a strong competitive SMEs sector that is able to play a leading role in the development process.

A firm's financial performance is measured by how better of the shareholder is at the end of a period, than he was at the beginning. The main objective of shareholders in investing in a business is to increase their wealth. Thus the measurement of performance of the business must give an indication of how wealthier the shareholder has become as a result of the investment over a specific time. Performance has different meanings depending on the perspective of the user of financial information. The financial performance of SMEs can be measured using a number of indicators such as revenue, profitability, liquidity, solvency, asset turnover and growth rate (Roshanak, 2013; and Cassar and Holmes, 2003).

Debt financing is the act of a business raising operating capital or other capital by borrowing. Most often, this refers to the issuance of a bond, debenture, or other debt security. In exchange for lending the money, bond holders and others become creditors of the business and are entitled to the payment of interest and to have their loan redeemed at the end of a given period. Debt financing can be long-term or short term. Long term debt financing usually involves a business need to buy the basic necessities for its business, such as facilities and major assets, while short-term debt financing includes debt securities with shorter redemption periods and is used to provide day-to-day necessities such as inventory and\or payroll.

A business may use debt financing to raise funds for constructing a new factory. Corporations find debt financing attractive because the interest paid on borrowed funds is a tax-deductible expense ascompared to equity financing.

In other words, debt financing means, a firm raises money for working capital or capital expenditures by selling bonds, bills, or notes to individual investors. As a result of lending the money, the individual or institutions become creditors and fully expect to be repaid on the principal and interest. Besides debt financing, the other way to raise capital is to issue shares of stock in a public offering termed as equity financing.

In any financial institution especially in banks, Debt finance is vital product of an organization. So that the organization to achieve its objective, it should be focused on supply of enough amount money of debt finance fund with good quality of service. This debt finance includes Term Loan, Guaranty, Letter of Credit, import and export, financing loan, Channel financing, Urban utilities financing and so on.

The Bank of Abyssinia, Dilla branch extends debt finance to small & medium size enterprises(SMEs). The bank will be interested to measure the financial performance of SMEs after infusion of debt finance.

Debt finance increases financial performance of SMEs and also other factors of SME such as revenue growth, asset growth etc. So in order to exploit the financial performance of SMEs, the research attempts to address all issues in relation to financial performance of SME, such as return on assets(ROA), return on equity (ROE), Asset Turnover, Sales, Profitability Growth, liquidity, leverage, solvency repayment capacity and financial efficiency and also the possible solution that will be helped to maximize return of the shareholders.

1.2 Statement of the problem

Obviously, SMEs constitute the backbone of an economy. The SMEs sector plays a vital role in the industrial development of the country. World Bank (1997) indicated that industrial development was earlier believed to have occurred because of large enterprises.

However, starting in the late 1970s and early 1980s, SMEs have become perceived as the key agent for industrialization. It is recognized that this sector provides not only an effective means of fighting poverty and income inequality. At the same time, SMEs serve as a training ground for emerging entrepreneurs. It is within this context that SMEs development became focal attention for governmental as well as non-governmental organizations. This requires bringing the specific needs of the enterprise to the centre of the policy-making process, and recognizing that SMEs are to be assisted not because they are small, but because of their capability to be efficient, innovative and able to compete in the local and international markets.

However, in the majority of developing countries, most activities of SMEs are undertaken in the informal sector even though they play a major role in economic growth. They use their own saving, reinvestment of profits, and own labour as the main sources for their development. Despite these, their sustainable growth will largely depend on the capacity of financial institutions to mobilize resources from low valued to high valued and invest in SMEs activities.

Since SMEs sector does have a very significant role in the Ethiopian economy, the Government has been striving to create competitive and productive SME sector. It is for this reason that the Ethiopian Government develops policy so as to address the constraints and to tap the full potential of the sector. This policy will serve as guidelines to all stakeholders and thus stimulate new enterprises to be established and existing ones to grow and become more competitive. When a company is growing rapidly its current financial resources may be inadequate. Few growing companies are able to finance their expansion plans from cash flow alone. They will therefore need to consider raising finance from other external sources. In support of this, the Ethiopia Government, in order to provide adequate supply of financial services to various sectors of the economy, especially to small business, has evolved a wide variety of financial institutions both at the national and regional level as an effective means of fighting poverty and income inequality. So that the only easier finance options for SMEs are loans (Debt financing) access from financial institutions, a survey of literature dealing with this area indicates there is a significant gap in knowledge of the role of bank financing on the financial performance of SMEs. Thus it is necessary to examine the role of these loans on the performance of SMEs. Therefore, the study has identified to assess the impact of debt financing on the financial performance of small and medium enterprises (SMEs) in the case of Bank of Abyssinia, Dillabranch.

1.3 Research questions

The following five research questions are developed to address the statement of problem identified in the research.

i. How does debt finance influence over the short term financial position of SMEs?

ii. How does debt finance influence over the long term financial position of SMEs?

iii. How does debt finance influence over the financial leverage of SMEs?

iv. How does debt finance influence over the Asset turnover ratio of SMEs?

v. How does debt finance influence over the profitability of SMEs?

1.4 Objective of the study

1.4.1 General Objective

The objective of the study is to assess the impact of debt finance on the financial sustainability of SMEs.

1.4.2 Specific Objective

- To evaluate the influence of debt finance overs short term financial position of SMEs.
- To study the influence of debt finance over long term financial position of SMEs.
- To analyse the influence of debt finance on the financial leverage of SMEs.
- To assess the influence of debt finance on the asset turnover ratios of SMEs.
- To study the influence of debt finance on the profitability of SMEs.

1.5 Hypothesis

The following null hypothesis (Ho)and alternative hypothesis (H1) have been developed.

- **H_0**- Debt finance does not influence over the short term financial position of SMEs.

H_1- Debt finance does significantly influence over the short term financial position of SMEs.

- H_0- Debt finance does not influence over the long term financial position of SMEs.

  H_1- Debt finance does significantly influence over the long term financial position of SMEs.

- H_0- Debt finance does not influence over the financial leverage of SMEs.

  H_1- Debt finance does significantlyinfluence over the financial leverage of SMEs.

- H_0- Debt finance does not influence over the Asset turnover ratios of SMEs.

  H_1- Debt finance does significantly influence over the Asset turnover ratios of SMEs.

- H_0- Debt Finance does not influence over the Profitability of SMEs.

  H_1- Debt Finance does significantlyinfluence over the Profitability of SMEs.

1.6 Significance of the study

This study contributes to the knowledge in many important areas of Debt finance and financial performance of SMEs studies as follows:

- It advances to a better understanding of functions and roles of Debt finance,
- It increases the understanding of how Debt Finance influences the financial performance of SMEs,
- It paves the way forward for the government, policy makers, and financial institutions and to the general public at large to understand the different roles of Debt finance in the enterprises development process.
- This study also is used as a basis for any future study that examine the relationship between Debt finance and financial performance and for those who further needs to explore on some other concerns of SMEs.

1.7 Scope of the study

The research intends to reach the role of debt finance in the financial performance of SMEs, Particularly in Bank of Abyssinia, Dilla branch. When doing so the researcher's is restricted himself in SME customers of the Bank of Abyssinia, Dilla branch and which have no other sources of fund in other financial institutions for obtained the necessary information that will help to make the research meaningful. Because it is very difficult to address all SMEs customers of Bank of Abyssinia, Dilla branch and other financial institution this study scope is limited to some SMEs. It is also worth mention that this research was not being entirely about SMEs instead, it only investigates the influence of debt finance on their financial performance.

1.8 Limitations of the Study

This study is limited only in selected SMEs which operate at Dilla townand customers of Bank of Abyssinia, Dillabranch. The sample of SMEs taken may not represent the population of Ethiopia. The impact of debt finance over other non-financial factors has not been considered in this study.

2.1 Literature review

The UNIDO (1999) also defined SMEs in terms of number of employees by giving different classifications for developed and developing countries. The definition for developed countries is given as follows: Large firms with 500 or more workers; Medium firms with 100-499 workers; and Small firms with 99 or less workers. The classification given for developing countries is also as follows (UNIDO, 1999): Large firms with 100 or more workers; Medium firms with 20-99 workers; Small firms with 5-19 workers; and Micro firms with less than 5 workers.

In the context of Ethiopia, the Ministry of Trade and Industry adopted official definition of Micro and Small enterprises as: Microenterprises are business enterprises found in all sectors of the Ethiopian economy with a paid-up capital (fixed assets) of not more than Birr 20,000, but excluding high-tech consultancy firms and other high-tech establishments.

Small Enterprises are business enterprises with a paid-up capital of more than Birr 20,000, but not more than Birr 500,000, but excluding high-tech consultancy firms and other high-tech establishments. A firm's financial performance is measured by the difference between beginning and end result of a firm in the period. The main objective of shareholders is to increase their wealth. Thus the measurement of performance of the business must give an indication of how wealthier the shareholder has become as a result of the investment over a specific time. The long term financial position of an entity can bring financial sustainability in the long run. However, the financial performance of SMEs can be measured using a number of indicators such as revenue, profitability, liquidity and growth rate (Cassar and Holmes, 2003).

The measures that indicate a firm's financial performance are grouped into five broad categories: **liquidity, solvency, profitability, Asset Turnover and financial Leverage**. Liquidity measures the ability to meet financial obligations as they fall due without disrupting the operations of the firm. Three widely used financial ratios to measure solvency are the debt-to-asset ratio, the equity-to-asset ratio and the debt-to-equity ratio.

2.2 Knowledge Gap:

So far various researchers tried to examine on this particular topic. However, there is a gap in the literature due to the absence of studies, specifically in the Ethiopian context of the role of debt finance in financial performance of SMEs. In order to fill the identified gap knowledge concerns the impact of debt finance on financial performance of SMEs. in general, and in particularly concerning study of role of debt finance in major measurement of financial performance for all indicators not studied yet together with the specified topic by using mixed method here in Ethiopia by focusing Bank of Abyssinia, Dilla branch operated in Dillacity specifically.

3.1 Research Design

The research adopts explanatory analysis to ascertain the extent of debt finance influencing the financial performance of SMEs. Further, quantitative research approach has been resorted to collect the secondary source of data from SMEs.

3.2 Sampling design

There are various financial performance measurement indicators used in SMEs such as short term financial position, long term financial position, financial leverage, asset turnover, profitability. In this backdrop and taking the available audited financial accounts (balance sheet and income statement), the researcher selected 25 SMEs as a sample to be represent a population of 50 SMEs.On the merits of purposeful sampling, Creswell (2003) noted that it helps to select participants or sites that best help the researcher to understand the issues under study. Hence, purposive sampling techniques has been used to select potential respondents in the target potential population; the population has been stratified into three stratums: Hotel and Tourism, Domestic trade service and Construction industry.

Then, by resorting to purposive sampling technique a sample of 25 SMEs has been drawn, i.e., 2 from Hotel and Tourism, 18 from Domestic trade service (DTS), and 5 from Construction industry.

3.3 Specification of conceptual model

The study consists of five variables, i.e., only one independent variable (debt finance) and four dependent variables (short term financial position, long term financial position, degree of financial leverage and profitability).

3.3.1 Independent Variable

There is only one independent variable used for the study,i.e. role of debt finance on the financial performance of SMEs.

3.3.2 Dependent Variables

Both theoretical and empirical financial performance studies have generated many results that attempt to explain the determinants of financial performance. As a result of these studies, some broad categories of financial performance determinants have emerged. Titman and Wessels (1988), however, point out that the choice of suitable explanatory variables is potentially contentious.

This study deploys five explanatory variables as a proxy for the determinants of financial performances such as short term financial position, long term financial position, Asset turnover, degree of financial leverage and profitability. The researcher's intention with these variables is to investigate the validity of dominance of financial performance.

The short term financial position can be gauged by current ratio and quick ratio. The current ratio measures paying capability of short term obligation of the SMEs while quick ratio ensures liquidity of the

SMEs. The long term financial position brings gearing of the organisation in terms of the extent of debt over equity. The asset turnover denotes the turnover of fixed assets, debtors and creditors that brings utilisation of fixed assets, receipt of cash from debtors and payment of cash to the creditors. The degree financial leverage refers to the extent of earnings before interest and tax (EBIT) over earnings before tax (EBT). The profitability has gross profit margin and net profit margin respectively.

3.4Specification of Regression Matrix Model

These regression equation is outlined below.

$yi= \beta 0+\beta 1x + \varepsilon$

Yi (i= 1......8) = Current ratio, Quick ratio, Debt-Equity ratio, Inventory turnover ratio, Debtor turnover ratio, fixed asset turnover ratio, gross profit margin and Net profit margin

$\beta 0$ = Constant
X = Debt Finance
e = error term.

4.1 Results and discussion

Hypotheses regarding the five explanatory variables, viz; Short term financial position, long term financial position, degree of financial leverage, Asset turnover and Profitability are prepared from the financial statement of the sample SMEs to ascertain the impact of debt finance on the financial performance of SMEs.

Linear regression analysis has been resorted to find out the influence of independent variable debt finance over the determinants of financial performance of SMEs.

In order to assess the impact of debt finance over the financial performance of SMEs, regression matrix has been applied for the study. Table-1 reveals the regression matrix of debt finance with financial performance of SMEs.

Table - 1 Regression matrix of Debt finance with financial measurement ratios.*

Dependent Variables			Independent variable			
			Debt Finance	ANOVA* P	R- Square	Adjusted R square
Short term Financial position	Current ratio	Beta	0.440	0.04	0.194	0.154
		t	2.193			
	Quick ratio	Beta	0.319	0.148	0.102	0.057
		t	1.505			
Long term Financial position	Debt-Equity ratio	Beta	0.895	0.00	0.08	0.79
		t	8.948			
Degree of Financial Leverage	EBIT/EBT ratio	Beta	0.282	0.204	0.80	0.33
		t	1.314			
Asset turnover	Inventory turnover ratio	Beta	0.003	0.989	0.000	-0.05
		t	0.014			
	Debtor turnover ratio	Beta	0.003	0.989	0.18	-0.31
		t	-0.014			
	Fixed asset turnover ratio	Beta	-0.061	0.788	0.004	-0.046
		t	-0.272			

Dependent Variables			Independent variable			
			Debt Finance	ANOVA* P	R- Square	Adjusted R square
Profitability	Gross profit margin	Beta	-0.054	0.821	0.003	-0.047
		t	-0.243			
	Net profit margin	Beta	0.012	0.959	0.000	0.102
		t	0.052			

**Source: SPSS Result at *Level of Significance at 0.05*

Table-1 shows the following interpretations which are discussed below:

It shows the influence of debt finance on short term financial performance of SMEs. Since current ratios and quick ratios are the measurement of short term financial performance.

i. The level of significance of current ratio is 0.004(P<0.05) signifying that null hypothesis is rejected.

ii. The level of significance of Quick ratio is 0.148(P> 0.05) signifying that null hypothesis is accepted. Since the current ratio is one of the important indicators of short term financial position and the quick ratio speaks about liquidity aspect only, the result implies that debt finance has significant influence on the short term financial position of SMEs.

iii. The level of significance of debt equity ratio is 0.000(P< 0.05) signifying that null hypothesis is rejected. This implies that debt finance exerts positive influence on the long term financial position of SMEs.

iv. The level of significance of the degree of financial leverage is 0.204(P> 0.05) signifying that null hypothesis is accepted. This implies that debt finance does not exert positive influence on the degree of financial leverage of SMEs.

v. The level of significance of asset turnover ratio consisting of inventory turnover ratio, debtor turnover ratio and fixed asset turnover ratio are 0.788, 0.989 and 0.989 respectively (P> 0.05in all three cases) signifying that null hypothesis is accepted in all cases. This implies that debt finance does not exert significant influence on the asset turnover ratios of SMEs.

The level of significance of profitability ratio consisting of gross profit margin and net profit margin are 0.821 and 0.959 respectively (P> 0.05 in both two cases) signifying that null hypothesis is accepted. This implies that debt finance does not exert significant influence on the profitability ratios of SMEs.

4.2 Conclusion

The analysis reveals that the debt finance exerts positive influence on both short term as well as long term financial performance of SMEs. Debt finance does not influence the asset turnovers as well as the current profitability of SMEs. Since the financial performance of SMEs can be judged by short term as well as long term financial position, the influence of debt finance over short term as well as long term financial position implies that debt finance exerts positive influence on financial performance of SMEs. The financial sustainability of SMEs depends on long term financial position which is an important indicator of financial performance. Therefore, debt finance influences significantly the financial sustainability of SMEs.

4.3 Recommendation

On the basis of the findings of this study, following recommendations have been forwarded:

Every SME admits to borrow money for the capital investment purpose because the income generating capability of the fixed assets can be known after a long period of time .Further the debt can be repaid out of income generated from the fixed assets.

Every SMEs is of the view that short term loan invests on short term activity. And if it is possible to use internal source of money for short period need. It helps us to minimize risk.

The result of the study shows that debt finance has positive influence on financial performance of SME that brings financial sustainability so that the bank tries to raise the amount of loan to optimize financial performance of SMEs.

4.4 Scope for future research directions

The researcher focuses on borrowers of Bank of Abyssinia, Dilla branch. Further, the research also ignores other branches of Bank of Abyssinia in other part of the country where other SMEs borrow loan from these branches. Thus it apparent that besides financial performance, such issues as role of debt finance on other segments of the SMEs have not been examined. Finally, this research is not being entirely about SMEs instead, it only investigates the impact of debt finance on the financial performance of SMEs at Bank of Abyssinia, Dillabranch. This point leads to possible future research directions. So, besides debt finance, overall funding arrangement for SMEs sector at Ethiopia remains unknown which can be a direction for future researchers. MA

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IS IT THE WORLD'S FUTURE CURRENCY?

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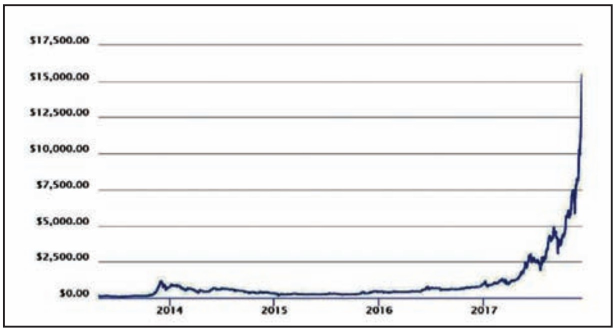
Recently there has been a lot of buzz surrounding the word cryptocurrencies, especially the oldest and the most valuable one bitcoin whose value is growing at a massive speed of light. The recent surge in prices of bitcoins and other cryptocurrencies have forced many investors around the world to include them in their portfolio. The price of bitcoin touched a record high of $15425 per unit ($15425.2649 as on 07/12/2017). In India the price has gone up from 7304.24 on 28th April, 2013 to a whooping 1003549.6514 on 7th December, 2017 per unit, an increase of 13640 percent.

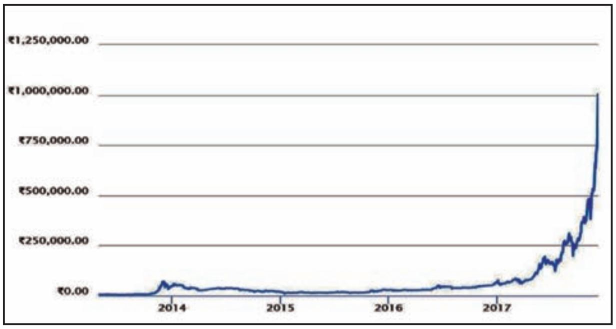
The total market capitalisation of bitcoin is more than the GDP of many developed countries. Also the market capitalisation of bitcoin is more than the sum of market capitalisation of Goldman Sachs and UBS, two biggest banks in the world. It is also more than the market capitalisation of Boeing which is more than 100 years old and employ more than 140000 people. And the market capitalisation of bitcoin also crossed the sum total of wealth of Bill Gates and Warren Buffet, the two richest man in the world.

Figure-1: Bitcoin price as on 07/12/2017 is $15,425.2649. It has a current circulating supply of 16.7 Million coins and a total volume exchanged of $8,355,244,164



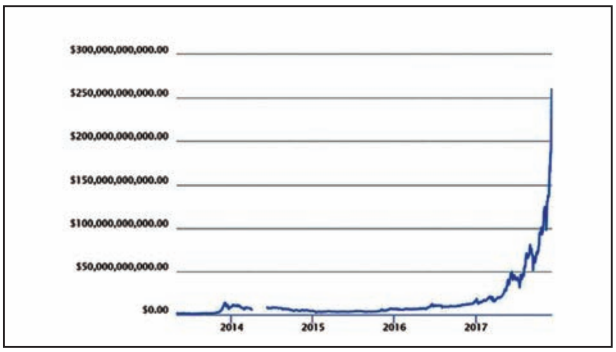
Source: www.coingecko.com

Figure-2: Bitcoin price as on 07/12/2017 is 1,003,549.6514. It has a current circulating supply of 16.7 Million coins and a total volume exchanged of 546,226,807,428



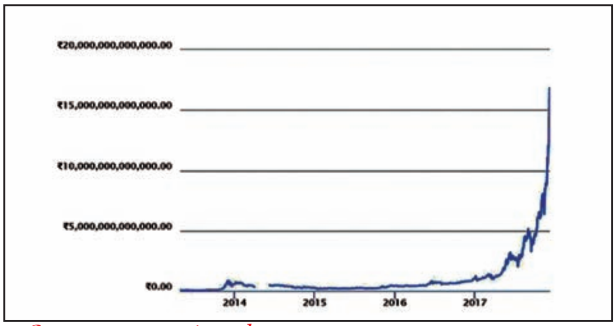
Source: www.coingecko.com

Figure-3: Market Capitalisation of Bitcoin in USD as on 07/12/2017



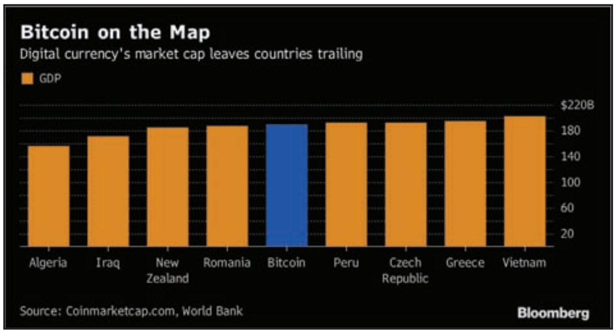
Source: www.coingecko.com

Figure-4: Market Capitalisation of Bitcoin in INR as on 07/12/2017



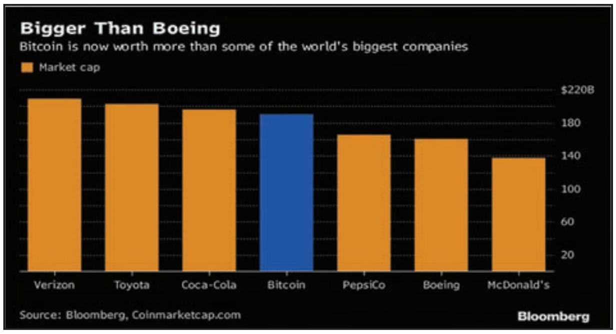
Source: www.coingecko.com

Figure-5: Market Capitalisation of Bitcoin and GDP of some countries



Source: Compiled from the economictimes.com

Figure-6: Market Capitalisation of Bitcoin and some companies



Source: Compiled from the economictimes.com

What is Bitcoin and how it is created

Cryptocurrencies use cryptography for security, regulation and generation of currency units. The creation as well as transactions of cryptocurrencies are done electronically and as a result they are highly secured and practically impossible to counterfeit. Bitcoin is the first cryptocurrency based on block chain technology which is not backed by any central bank or any regulatory authority of any country. It was created by an unknown person or group under the name, Satoshi Nakamoto in the wake of 2008 financial crisis for avoiding central banks and regulators of different countries. It is an open source project and the source code is available publicly and therefore anybody can become a part of the development process. Nobody owns or controls it. Issuing of bitcoin and managing of the transactions are collectively done by the network. The current design will allow to create a maximum of 21 million bitcoin currencies. It uses the SHA-256 hashing algorithm with an average transaction confirmation time of 10 minutes. Miners today are mining bitcoin using ASIC chip dedicated to only mining bitcoin, and hash rate has shot up to peta hashes (www.coingecko.com). The users of bitcoin claim that it protects the identity of the users and with a very low transaction costs, it is changing the payment system and making the payment system easier. There is no banking hours and one can trade from anywhere in the world.

How Bitcoin Works

In simple term it is like sending emails. It is like a mobile app or a computer programme where the bitcoin user can maintain a personal wallet and allows the user to receive or send bitcoins. However, there is something called 'block chain technology' which is used to maintain the public ledger sharing the bitcoin network. The ledger maintains each and every processed transactions and allows the user's computer to verify the validity of each transaction. Every user of bitcoin can send bitcoins from their own bitcoin address which is protected by digital signature and thus validates the legitimacy of each transaction. Apart from that, anybody can participate in mining by processing transactions using sophisticated technology and computing power. The miners get bitcoin as a reward for this service.

Reason for the recent price surge

There is no central bank behind the creation of bitcoin and there is no regulatory authority also. It is not so easy to create and the total numbers of bitcoin is also restricted to 21 million and therefore it is not like fiat money and it is highly secured. Therefore the restricted supply along with the increase in demand due to the geopolitical tension across the globe made it so popular. Investors are finding it as a safer asset class than other assets.

Apart from the exchanges which trade cryptocurrencies, some recognised stock exchanges have already started trading bitcoins.CME Group Inc. (The Chicago Mercantile Exchange and Chicago Board of Trade) is going to launch the future contract on bitcoin on 18th December, 2017.CBOE Global Markets (Chicago Board Options Exchange) started trading on Bitcoin Futures on and from 10th December, 2017. NASDAQ has announced that they plan to introduce futures contract on bitcoins. Trading announcements by these well-known popular recognised and regulated exchanges will make the market healthier and are going toattract more investors (especially institutional investors) all over the world to invest in bitcoins. The investors can now hedge their risk with these derivative products. Big hedge funds are investing heavily in bitcoins as the returns are astronomically high.

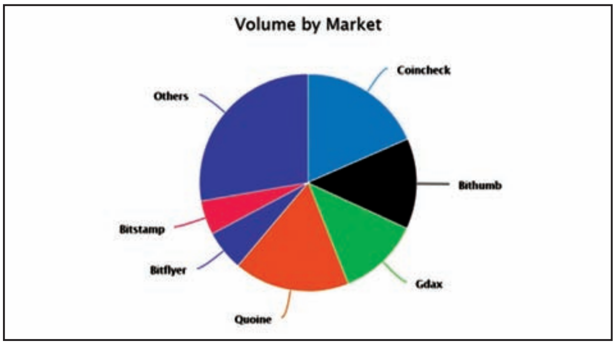
According to Wall Street Journal, the Hong Kong office of Price Waterhouse Coopers has accepted payments in bitcoins for the first time for their advisory services. Japan has already recognised bitcoin as a legal tender and it is very popular in Japan. The country has also given recognition to 11 exchanges trading cryptocurrencies. Japanese Yen is the second largest currency that trades bitcoins.

Exchanges Trading Bitcoins and other Cryptocurrencies

The bitcoin market is open 24 hours and till now most of the exchanges which trade bitcoins are unregulated. The biggest bitcoin exchange is Coincheck (18.5% as on 07/12/2017), and the maximum traded currency against bitcoin is Japanese Yen (32.3% as on 07/12/2017). The other major exchanges are Bitsmap, Gdax, Quoine etc.

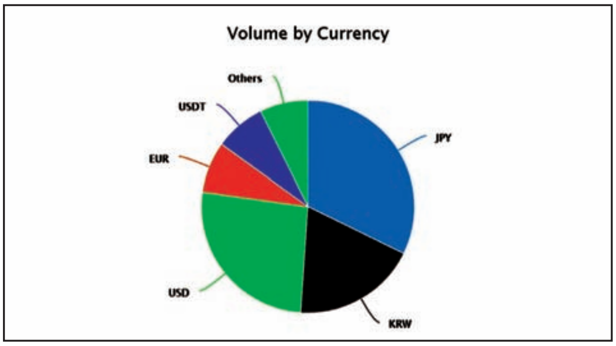
The other popular cryptocurrencies are Ethareum, IOTA, Ripple, Dash, Litecoin etc. There are about 1315 cryptocurrencies along with crypto tokens in the world. There are 15 exchanges trading cryptocurrencies in India. Except few, most of them are founded in 2016-17. Zebpay, Coinsecure, Unocoin,Bitxoxo are some popular exchanges trading cryptocurrencies in India. With rising prices, more and more people are registering every day to trade in cryptocurrencies.

Figure-7: Volume of Trading by Market as on 07/12/2017



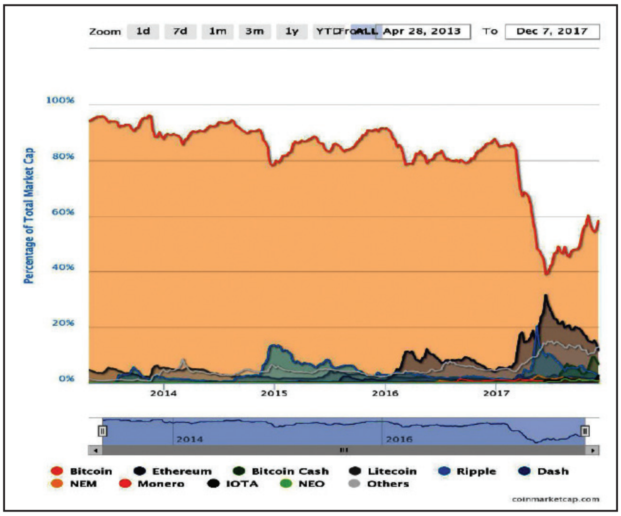
Source: www.coingecko.com

Figure-8: Volume of Trading by Currency as on 07/12/2017



Source: www.coingecko.com

Figure-9: Percentage of Market capitalisation of different Cryptocurrencies



Source: https//:coinmarketcap.com

Initial Coin Offerings (ICO)

Initial coin offerings, which is not regulated, is a process of raising funds by issue of cryptocurrency mainly used for funding start-ups. Under this method, a percentage of cryptocurrencies are sold in exchange of some existing popular cryptocurrencies like bitcoin or ethereum or against some legal tender or against some future services. The first initial coin offer was made by Mastercoin in July 2013. The first initial coin offerings by a conventional company was made by the messaging app developer KIK in 2017. Now it is an extremely popular method of raising funds by start-up companies from the unregulated market. It is also popularly known as 'token sale'. Regulators of most of the countries have warned the investors for possible scams related to initial coin offerings. Though some countries are working on regulating ICOs, China and some more countries have officially banned ICOs.

How one can invest in Bitcoin or other Cryptocurrencies

One can buy or sell bitcoins or other cryptocurrencies through the exchanges which trade cryptocurrencies. The cryptocurrencies are traded in many countries including India. Though almost all the exchanges are unregulated, they are traded against all the major currencies in the world including Indian rupee. For trading in cryptocurrencies, the investor has to maintain a wallet. The wallet can be maintained with the exchanges or it can be a dedicated wallet or client-side wallet or hardware wallet. For example one can maintain the wallet with the companies like Coinbase which trades bitcoins or wallets can also be maintained with companies like Ledger Nano S or TREZOR which provide secure bitcoin wallets. Since these cryptocurrencies are on the internet, they must be protected from hackers and should be kept in wallets which is controlled by the investor only.

Like systematic investment plan in mutual funds, one can invest in cryptocurrency on a regular basis by linking his/her credit card or bank account with the cryptocurrency wallet. So on a particular date of the month the desired amount will be invested in the particular cryptocurrency and the bank account or the card will be debited. However if an investor sets up an auto buy instruction, he or she will not have any control on the price at which the desired cryptocurrency will be bought. On any day the volatility of the cryptocurrency is very high. Therefore it is very important that at what price one is buying the cryptocurrency.Coinbase is not an exchange but it buys and sellsfrom and to its client and charges a margin on the price. One can also directly trade in cryptocurrencies through the exchanges like Coincheck, Bitstamp etc. The exchanges provide greater liquidity as the buyer and seller are directly trading through the exchange and the exchange is acting as a middleman.

One can also buy bitcoins or other cryptocurrencies offline. The buyer and seller are paired through the website and the bitcoins are locked from the seller in the escrow and will be released only to the buyer when the payment is made. However usual safeguards are necessary when buying offline.

It is not necessary that one has to buy a whole bitcoin. One can invest in the smallest unit of bitcoin known as 'Satoshi', named after its unknown creator Satoshi Nakamoto. One unit of Satoshi is equivalent to one hundred-millionth of a bitcoin. So price of one unit of Satoshi is around $0.00016 at the current exchange rate.

Mining Bitcoin

Bitcoin mining is a process through which the transactions are verified and recorded in the electronic ledger which is a secured and transparent public ledger. The transactions are authenticated by bitcoin miners through a process called blockchain.Whenever there is a bitcoin transaction, block chain allows the miners to check whether the bitcoin used actually exists, it is not used simultaneously for another transaction and it is held by the entity using the bitcoin. When all these three conditions are verified and all the parties involved are satisfied, the transaction is completed. It provides a peer to peer network which is secured, transparent and public. Each transaction is supported by a public and private key. The public key is known to the other party and allows everybody to check whether the bitcoin actually exists or not and the private key is used to make the transaction.

Bitcoin mining is also the process of creating new bitcoins. Anybody can participate in the bitcoin mining. It is a very complicated process and needs sophisticated hardware. The mining involves participation in the transaction compiling process into blocks and solving difficult computational puzzle.Whoever can solve the puzzle first is elevated to the next block in the block chain and entitle to the reward. The reward is for the transaction fee for compilation of the transactions in the block chain as well as for releasing new bitcoins. It is also called block reward, which happens after the completion of mining of each block and release of new bitcoin. After mining of every 210000 blocks (or approximately in every four years), the block reward becomes half. For example; the block reward started at 50 in 2009 became 25 in 2014 and will continue to reduce in this manner. The system is made in such a way that it can release maximum 21 million bitcoins In other words bitcoin generation will stop once 21 million bitcoins are generated and is expected to be achieved by the year 2140.

Should we invest in Bitcoin?

After the spectacular return and the rally, many investors across the globe including the hedge funds are considering bitcoins and other cryptocurrencies as a new asset class. They are not liquidating their position and expecting a further upside movement. Cameron Winklevoss, who is one of the initial investor and largest holders of bitcoin is of the opinion that bitcoin can disrupt gold and it will rise 20 fold in this year. Though high volatility makes it difficult to predict, but the investors in bitcoins are very upbeat about the future price.

However it is a speculative asset and one should understand the cryptocurrency before investing. Legendary investor Warren Buffet called it a mirage and advised the investor to stay away from bitcoin. Jamie Dimon, the chairman and CEO of J.P.Morgan Chase called it a fraud. He also said, "If you are stupid enough to buy it, you'll pay the price for it one day". Back home, Reserve Bank of India repeatedly warns the investor about the speculative nature of bitcoin and other cryptocurrencies and says that the bubble could burst any time in a spectacular fashion.

Therefore one should consider the following important points before investing in bitcoins or any other cryptocurrencies:

a. Legal status: The cryptocurrencies are digital cash and not backed by any asset or central bank of any country or government of any country. China and some other countries have already banned cryptocurrencies. RBI has neither banned the cryptocurrencies nor accepted it as a legal tender. Tomorrow if RBI bans these cryptocurrencies, then the investors will lose their investment as the exchanges in India will be closed.

b. Not regulated: The exchanges trading in cryptocurrencies are mostly not regulated and they do not have any legal status. Therefore there is no guarantee that they will not close down their operation and hence investors' money is not protected.

c. High volatility: Bitcoin and other cryptocurrencies are highly speculative asset (if they are considered as an asset class) and therefore the prices are highly volatile. Since there is no underlying assets, it is very difficult to arrive at the true market value. As more people are investing in the cryptocurrencies tempted by the high prices, prices are going up.

d. Commodity or Currency: Some investors are considering it as commodity though it does not have the fundamental properties of a commodity as it is created by computer programming. Even the proponents of bitcoins are not ready to consider it as a commodity. Though it can be used for making payments as any other currency but it is not a legal tender. It is also not backed by any asset or guarantee by any government or central bank.

e. High risk of Fraud: Since there is no regulation, lack of clarity regarding trading, misinformation etc., and the fraudsters have taken advantage to launch Ponzi schemes.

f. Illegal activity: Since they are mostly unregulated, terrorists, drug peddlers and extortionists are also using cryptocurrencies.

g. Liquidity and Remittance: Though proponents of cryptocurrencies say that it is highly liquid, but in many cases they are not. It is not always easy to sell cryptocurrencies. You also cannot buy everything with cryptocurrencies and its acceptance is very low.

h. Difficult to understand: Last but not the least one should not invest in anything which he or she does not understand. It is created by some complicated computation and most of the people are investing in it without understanding the cryptocurrencies and on the basis of imperfect information.

Concluding Remarks

The rally in prices seems to be never ending. Every day it is in the news and more and more people are becoming billionaire every day. Unfortunately it does not fulfil the basic requirement of investment i.e. liquidity, safety and riskiness. The cryptocurrencies are not at all liquid especially if the market crashes or the exchanges bust. Also one cannot really buy anything with that. Since the exchanges are not regulated, they are not safe. Lastly the exorbitant return has created a bubble which can burst at any time and when the bubble bursts, it is the small investors who suffer. Lastly, apart from RBI's repeated warnings, the finance Minister Mr. ArunJaitely said the government of India does not recognise bitcoin or any other cryptocurrency as legal tender as of now. MA

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FOREIGN PORTFOLIO INVESTMENT, CAPITAL ACCOUNT CONVERTIBILITY AND THE ROAD AHEAD FOR INDIAN ECONOMY

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Countries across the world are differentiated as capital or labour abundant ones depending on the relative endowments of capital and labour , the two indispensible factors of production. Developed nations which have relatively more capital compared to labour are the capital rich countries whereas the Developing ones having more labour relative to capital are labour abundant ones . Being a developing country, India suffers from paucity of capital because domestic capital formation is not sufficient for employing its huge labour force. Hence , the only alternative for India is to look towards capital inflows from capital-rich Developed nations for augmenting its capital stock. It is because of this foreign investment has assumed so much importance in the economic growth of India.

In fact, the foreign capital inflows which has taken place in Indian economy since 1991 has been of two types : a) Foreign Direct Investment (FDI) and b) Foreign Institutional or Portfolio Investment . In case of the more conventional Foreign Direct Investment (FDI) , foreign enterprises have been investing their capital in India either to create new productive capacities or to acquire existing ones, whereas foreign portfolio investment which have come into prominence during post- 1990s have lead to investments by the foreign financial institutions in Indian capital markets for reaping the benefits of higher interest rates existing here .

In case of FDI , the MNCs undertaking foreign direct investments are treated at par with the domestic firms without being subjected to any form of restrictive trade practices resulting in an increase of output , employment and exports in the host country. However, since the FDI is of long-term nature so for minimizing the risk associated with such investments , the investors before finalizing any investment decision undertake extensive analyses of the likely politico-economic environment and of the changes which may occur in the policy regime of the host country in future. Consequently, such analyses make the process of realization of FDI a very lengthy one. In contrast , foreign institutional investments which do not directly result in increase of output , employment and exports in the host country mainly depend on two factors , i) whether prevailing interest rates in the host country is greater compared to that in the country from where FII is originating ii) whether there exists capital account convertibility in the host country ? Existence of both these conditions propel the foreign institutional investors to invest in the capital market of the host countries and the question of in-depth policy analysis and lengthy considerations do not arise . Thus FIIs mature much faster compared to FDI, augmenting the capital stock and foreign currency reserve in the host countries and this could have been the reason behind its increasing importance since 1990's. However , foreign portfolio investment is also not without risks . Though such investments may augment the capital stock and foreign exchange reserves rapidly in the host country but its associated volatility can result in significant fluctuations in the level of economic activity in the host country .

It can be observed that since the initiation of reforms in 1991 foreign portfolio investments have become equally important with foreign direct investment in India . A close scrutiny of foreign capital inflows in India during the first two decades since 1991 as presented in Table – 1 brings to the fore some interesting aspects.

TABLE – 1

Foreign Capital Inflows in India (1991-92 to 2016 -17) (Amount US$ Million)

YEAR	FDI	FII	Total Foreign investment	% Share of FII in foreign investment	% share of FDI in Foreign investment
1991-92	129	4	133	3.07	96.99
1992-93	315	244	559	43.67	56.35
1993-94	586	3567	4153	85.89	14.11
1994-95	1314	3824	5138	74.43	25.57
1995-96	2144	2748	4892	56.17	43.83
1996-97	2821	3312	6133	54	45.99
1997-98	3557	1828	5385	33.95	66.05
1998-99	2462	-61	2401	-2.54	102.54
1999-2000	2155	3026	5181	58.41	41.59
2000-01	4029	1847	5876	31.43	68.57
2001-02	6130	1505	7635	19.71	80.29
2002-03	5035	377	5412	6.96	93.03
2003-04	4322	10918	15240	71.64	28.36
2004-05	6051	8686	14737	58.94	41.06
2005-06	8961	9926	18887	52.55	47.44
2006-07	22826	3225	26051	12.38	87.62
2007-08	34843	20328	55171	36.84	63.15
2008-09	41873	-15017	26856	-55.92	155.92
2009-10	37745	29048	66793	43.49	56.51
2010-11	34847	29422	64269	45.78	54.22
2011-12	46556	16812	63368	26.53	73.47

YEAR	FDI	FII	Total Foreign investment	% Share of FII in foreign investment	% share of FDI in Foreign investment
2012-13	34298	27582	6188	44.57	55.43
2013-14	36046	5009	4105	12.20	87.79
2014-15	45148 (P)	40923	86071	47.54	52.45
2015-16	55559 (P)	-4016	51543	-7.79	107.79
2016-17	60082 (P)	7735	67817	11.40	88.59

Source : Department of Industrial Policy and Promotion (DIPP) , Government of India .

It can be observed from Table-1 , that since 1991, both FDI and FII / FPI have been growing in India . However, from 1993-94 till 1996-97 the volume of FII inflows have been considerably more than FDI inflows. .During this time , FII inflows contributed well over 50% of the total foreign investment in India . Contribution of the FIIs to total foreign investment in India reached a peak of over 85% in 1993-94. Foreign portfolio investment as a proportion of total foreign investment started going down compared to that of the FDI from 1997-98 onwards and in 1998-99, the FII flows became negative to the extent of - $61 million .

Subsequently, in 1999-2000, the FII flows jumped to $ 3026 million constituting over 58% of the total foreign investment.

Thereafter FII flows declined both absolutely as also compared to FDI inflows and its contribution to the total foreign investments fell down to as low as around 7% in 2002-03. However, in 2003-04, the FII flows increased markedly contributing over 71% of the total foreign investment. Thereafter, since 2004-05 onwards, the FII flows started declining though it contributed well over 50% of the total foreign investment till 2005-06. It was in 2008-09 that the FII outflows reached its lowest till date when there was a net withdrawal of FII investments to the tune of US $ 15017 million. So the FII inflows was actually negative during this period .

Subsequently, from 2009-10 onwards, the FII inflows did pick up considerably contributing well over 43% of the total foreign investment till 2014-15 except during the years 2011-12 and 2013-

14 when its contribution was 26.53% and 12.20% respectively. However, in 2015-16 there was a net outflow of foreign institutional investment to the extent of US$ 4016 million which again picked up during 2016-17.

It can thus be observed that in spite of being relatively new FPI has been an equally important form of foreign investment in India along with FDI. In fact, for about nine years in course of the first two decades since initiation of reforms , FII inflows have contributed much more to total foreign investment well over 50% compared to FDI. However , the range of fluctuation in the level of FII has been much higher compared to that of FDI . Moreover , it is evident from the negative FII flows of US$ -61 million in the aftermath of the Far- East Asian crisis in 1998-99 and that of US$ -15017 million in 2008-09 when the sub-prime market crisis was in full swing in U.S.A. that there has been an outflow of foreign institutional investment from Indian capital markets in the aftermath of the financial crises that occurred in different parts of the globe and achieved global proportion .

The link between these financial crises and the outflow of portfolio investments from Indian capital markets can be found in the activities of the foreign institutional investors .The one common cause which can be attributed to these financial crises is the liquidity crunc experienced by the FIIs on account of huge losses suffered by them on their investments in the East-Asian and U.S. financial markets . Consequently because of their huge losses the FIIs did not have the funds to pay-back their creditors in these markets. As a way out , the FIIs had to sell–off large investments in the high interest yielding financial markets of developin countries' like India for mobilising funds to meet their liabilities in other markets . Such sell- off was actually manifested in the form of huge negative investments by the FIIs in Indian markets. Thus the FIIs not only played a crucial role in fomenting the crisis but also acted as conduits in transmitting the effects of such crises from one country to another making them global ones. The offloading of investments by the FIIs during the financial crises did have its impact on the Indian financial sector in particular and the economy in general.

However, the intensity of the impact of the US sub-prime crisis of 2008-09 was much more than the Far East Asian crisis of 1998-99 as the volume of withdrawals by the FIIs during 2008-09 was about 200 hundred times more than that in 1998-99.

As the FPIs operate they are observed to have a direct impact on 3 sectors of the economy namely : (i) Capital Market (ii) Foreign Exchange Market and the (iii) Banking sector which get inter-wined as a result of FIIs' operations . Such inter-linkage of the three sectors were very much evident in the Indian economy during 2008-09 when there was the sudden off-loading of shares and bonds to the tune of US $15017 million by the FIIs in the aftermath of the US sub-prime market crisis . This offloading created an excess supply situation in the Indian bond and equity markets which resulted in a downward pressure on the stock and bond prices leading to plumenting of the stock market . The scenario prevailing in the Indian stock market in the aftermath of this huge disinvestment by the FIIs can be understood from the movement of the Sensex(stock market index) during this period as revealed in Table -2 below.

Table-2

Movement of Sensex during the period of January 2008 to January 2010.

Month	Open	High	Low	Close
Jan 08	20,325.27	21,206.77	15,332.42	17,648.71
Feb 08	17,820.67	18,895.34	16,457.74	17,578.72
Mar 08	17,227.56	17,227.56	14,677.24	15,644.44
Apr 08	15,771.72	17,480.74	15,297.96	17,287.31
May 08	17,560.15	17,735.70	16,196.02	16,415.57
Jun 08	16,591.46	16,632.72	13,405.54	13,461.60
Jul 08	13,480.02	15,130.09	12,514.02	14,355.75
Aug 08	14,064.26	15,579.78	14,002.43	14,564.53
Sep 08	14,412.99	15,107.01	12,153.55	12,860.43
Oct 08	13,006.72	13,203.86	7,697.39	9,788.06
Nov 08	10,209.37	10,945.41	8,316.39	9,092.72
Dec 08	9,162.94	10,188.54	8,467.43	9,647.31
Jan 09	9,720.55	10,469.72	8,631.60	9,424.24
Feb 09	9,363.58	9,724.87	8,619.22	8,891.61
Mar 09	8,762.88	10,127.09	8,047.17	9,708.50
Apr 09	9,745.77	11,492.10	9,546.29	11,403.25
May 09	11,635.24	14,930.54	11,621.30	14,625.25
Jun 09	14,746.51	15,600.30	14,016.95	14,493.84
Jul 09	14,506.43	15,732.81	13,219.99	15,670.31
Aug 09	15,694.78	16,002.46	14,684.45	15,666.64
Sep 09	15,691.27	17,142.52	15,356.72	17,126.84
Oct 09	17,186.20	17,493.17	15,805.20	15,896.28
Nov 09	15,838.63	17,290.48	15,330.56	16,926.22

Month	Open	High	Low	Close
Dec 09	16,947.46	17,530.94	16,577.78	17,464.81
Jan 10	17,473.45	17,790.33	15,982.08	16,357.96

The peak monthly value of Sensex was 21,206.77 points in January 2008 . But thereafter the peak monthly Sensex levels underwent a steep decline and in February 2009 it went down to 9,724.87 points . Though the peak monthly Sensex level increased thereafter but it could no reach the January , 2008 level even within the next one – year lying way below it at 17,790.33 points in January,2010. A somewhat similar trend can be observed with regard to the monthly opening and closing values of Sensex . The opening Sensex level which was at 20,325.27 points in January 2008 experienced a marked decline to 8,762.88 points in March,2009.

Though the month wise opening Sensex values underwent an increase thereafter still it could not reach January, 2008 level even within the next one year . The closing Sensex level which was at 17,648.71 points in January , 2008 experienced a steady decline to 8,891.61 points in February , 2009. Inspite of a subsequent increase in the monthly closing Sensex levels it did not reach the January 2008 level even after a year. The behavioral pattern of the Sensex during 2008-09 point towards slipping of the Indian stock market into a bearish phase. As the stock prices fell, markets crashed , investors suffered huge losses , new investments almost dried up . These lead to a contagion effect with the retail investors going for redemption of their investments in the Indian Mutual Funds like the Unit Trust of India(UTI) . This resulted in a led to a severe liquidity crunch and Government of India had to step in for refinancing UTI .

As the FIIs converted the proceeds from sale of their investments from domestic currency to foreign currency and repatriated them , the huge outflow of foreign exchange lead to a severe supply shortfall in the foreign exchange market and resulted in a steep appreciation of foreign exchange price. Such happenings in the foreign exchange market had its spill over effect on the banking sector . Foreign exchange is a constituent of the High Powered Money stock which determines the quantum of money supply in an economy .Now, the substantial outflow of foreign exchange reserves led to a reduction of the High-Powered Money stock resulting in a contraction of the money supply .Consequently, Indian banking system experienced a severe Liquidity Crunch as the volume of lendable resources of the banks went down pushing up the interest rates. This starved the Indian industry and consumers of funds and the cost of borrowing went up substantially affecting the industrial as well as the economic growth which went down from the annual average of 6% achieved during the decade of 1990's.

Now a pertinent question which may arise here is about the reason behind this huge difference in the level of disinvestment made by the foreign institutional investors in 1998-99 and 2008-09. The answer lies in the difference in the degree of capital account convertibility prevailing during 1998-99 and 2008-09 . In 1998-99 , Indian currency was far from being perfectly convertible on capital account as the prevailing restrictions did not allow foreign institutional investors investing in Indian stock and bond markets to withdraw their investments at their sweet will . There were Minimum- Lock-in periods for FII investments which ensured that investments made by FIIs in the Global Depository Receipts (GDRs) and American Depository Receipts (ADRs) remained locked up for a minimum period of 3-5 years , only after which the investor had the option to redeem them . Moreover, the ceiling limits on investments made by FIIs in Indian companies were also much lower. Consequently, the lower level of permissible Investments by FIIs and restrictions on its offloading controlled the volatility of the FIIs and restricted hot money movement from Indian markets. This reduced the ability of the FIIs to affect Indian economy and dampened the impact of Far East Asian Financial crises on Indian capital market. This was in sharp contrast to the Far East Asian markets which was characterized by the presence of capital account convertibility .

However, in the post 1998-99 period though full capital account convertibility was not there but there was considerable easing of restrictions on capital a/c convertibility. The conditions of minimum lock- in-period in case of a number of categories of investments by the FIIs were lowered or waived thereby enabling the FIIs to have much more freedom in shedding off their investments at their convenience. Besides, the ceiling limits on investments made by FIIs in Indian capital market were also raised . This increased the volatility of FII investments and also enabled the FIIs to have a greater control over the Indian capital market . The massive outflow of portfolio investments from Indian markets during 2008-09 sub-prime crisis was the combined handwork of these two factors .

However, India's experience of huge outflow of foreign institutional investment during 2008- 09 did not slow down the process of easing of restrictions on capital account convertibility During the subsequent years rather it further intensified particularly since 2014. As part of easing of restrictions on capital account convertibility , the ceiling limit of FII investment in short – term debt instruments of less than 3 year duration including that in government bonds of 1 year duration have been increased while the ceiling for FII investment in long-term debt instruments of 5 year or more have been reduced . Such relaxations have been prompted by the fact that while investment limit for FIIs in the short –term investible instruments having smaller lock-in periods were getting exhausted , that in instruments with longer – term lock-ins were remaining unused .

Continued relaxations in the area of capital account convertibility have not only made the Indian financial sector vulnerable to global financial crises like the Far-East Asian crisis or the U.S. sub-prime market crisis but it has made Indian financial sector extremely sensitive to disturbances in financial sectors occurring in different corners of the globe which are relatively on a smaller scale. The way in which the increasing of bank rate by Federal Reserve Bank in U.S.A. affected the Indian capital during 2014 by influencing the outflow of foreign institutional investment is a testimony of the increasing sensitivity of Indian financial sector to international financial disturbances.

Besides, increasing the sensitivity of Indian financial sector to happenings in international financial markets, activities of the FIIs in the background of a sustained move towards capital account convertibility in recent times has affected the working of domestic macroeconomic policies particularly the monetary policy .

In recent years, in order to control the rising inflationary tendencies tight money policy have been adopted in the Indian economy . Such policy which attempts to squeeze the credit off take by pushing up the interest rates so that the demand expansion can be restrained and the price rise can be controlled has resulted in the prevalence of a high interest rate regime. This in turn has created a positive interest rate differential in India in comparison to many of the advanced capitalist countries attracting foreign portfolio investments. Consequently , the increased portfolio investments have resulted in a rising inflow of foreign exchange reserves which via an increase of the stock of high-powered money has been pushing up the money supply and reinforcing the rising inflationary trends .So the monetary policy is actually becoming counterproductive due to FII activities .

However, the fallouts of FII activities like economic fluctuations , instability and redundancy of domestic macroeconomic policies which the Indian economy has been experiencing are in no way expected to lessen the importance of portfolio investments in India. In fact, as it can be observed from Table-1 that after reaching the rock bottom in 1998-99 , the FII inflows did pick up from 2009-10 onwards contributing well over 43% of the total foreign investment till 2014-15 though during 2011-12 and 2013-14 its contribution somewhat went down to 26.53% and12.20% respectively. It can also be observed that even the net outflow of foreign institutional investment to the extent of US$ 4016 million in 2015-16 has again been reversed by a net inflow of US $ 7735 million during 2016-17. This is an indicator of the fact that in the days ahead because of its ability to bring in rapid augmentation in the stock of capital and foreign exchange portfolio investments will continue to hold its position of eminence . In this context, the issue of capital account convertibility could play a crucial role regarding both the scale as also the intensity of impact of FII activities on the Indian financial sector .

Capital account convertibility may act as a double edged sword for an economy because on one hand it attracts FII flows by making the foreign institutional investors feel more confident about the profitability and security of their investments while on the other as restrictions on capital account convertibility are relaxed , volatility of FPI inflows increase and consequently the ability of such investments to create deep seated fluctuations in the economy also goes up. In fact , the more severe impact which U.S. sub-prime crisis had on Indian economy because of a relatively liberalized capital account convertibility regime compared to that of the Far East Asian crisis when the capital account convertibility was much more restricted has already been discussed.

The criticality of the issue of capital account convertibility for Indian economy has been well recognized as two successive committees have been set up under the Chairmanship of Shri Tarapore , former Deputy Governor , RBI to consider the issues pertaining to capital account convertibility at length. The second Tarapore Committee did recommend full capital account convertibility by 2006-07 provided the economy reached a certain state. Though full capitalaccount convertibility has not yet been achieved but it as has been discussed here , since 1991and particularly in recent times from July, 2014 onwards there has been a sustained move towards full capital account convertibility. Such a move assumes particular significanceat a time when financial sector reforms as the key component of second generation reforms has become the need of the hour for taking Indian economy to higher growth path . The entire gamut of measures like further opening up of the insurance sector to private players, investment of public sector insurance , pension and provident funds in the capital market which are on the anvil as part of the second generation financial sector reforms is expected to make capital market core of the Indian financial sector . It is the general expectation that the move towards removal of restrictions on capital account convertibility could result in substantial increase in investments by the FIIs and the sheer volume of their investments can make Indian capital market much more buoyant even boosting up retail investments. Such buoyant capitalmarkets can make the investment of insurance, pension and provident funds profitable by generating good returns on it. This may not only lower the burden of social security contribution from government's shoulders but may also enable the Indian corporate sector to mobilize higher level of equity finance from capital markets at a much lower cost compared to debt finance.

However , the increasing ease of capital account convertibility and the manifold increase in the volume of portfolio investment which is likely to result in is expected to further increase the level of integration of Indian financial market with markets across the globe making them even more volatile. This may make Indian financial sector vulnerable to any and every disturbance occurring in any financial market across the globe thereby increasing both the magnitude and frequency of fluctuations in the performance of Indian capital market .

In such a scenario , if insurance , pension and provident funds are invested in the capital marketas part of the 2nd generation financial sector reforms their returns which will be linked to market performance could be prone to fluctuations and may become extremely unstable. These returns constitute the income of a sizeable section of Indian middle class who generate a substantial portion of the national savings. So this unpredictability of income and the risk of suffering capital loss on savings may have an adverse impact on the level of aggregate consumption and investment in the economy . Thus the effect of volatility of foreign institutional investments which may be caused by factors beyond the realms of domestic economy but aggravated by easing of restrictions on capital account convertibility may extend beyond the capital market to the real sector of the economy .

In conclusion , it is felt that in the background of the impending 2nd generation financial sector reforms there is a need for suitable policy initiative which can bring about a balance between the need for moving towards capital account convertibility for increasing the attractiveness of Indian capital market to the FIIs as also having a safeguarding mechanism for dampening the impact of FII volatility which may arise with further easing of restrictions on capital a/c convertibility and capital market emerging as core of the Indian financia sector. MA

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APPLICABILITY OF GST ON IMPORT

CLEARANCES OTHER THAN PORT OF IMPORTATION

Goods are imported in India and normally Bill of Entry for home consumption is filed. However, there will be a cases, where one needs to study the applicability of duty.

Type of Sale	Documents	Applicable Rate of Duty
Importation	Bill of Entry	Basic Customs Duty + IGST
Sale from SEZ & FTWZ	Bill of Entry	Seller will file the Bill of Entry on behalf of Buyer and pay Basic Customs Duty + IGST
High Sea Sale	➢ Commercial Invoice ➢ High Sea Sale Agreement	Buyer will file the Bill of Entry and pay Basic Customs Duty + IGST
Sale from Public Bonded Warehouse or Private Bonded Warehouse	➢ Commercial Invoice from Seller to Buyer	Buyer will file the Bill of Entry for Home Consumption and pay Basic Customs Duty + IGST And also Seller will charge the IGST to the Buyer over & above IGST charged on Commercial Invoice in accordance with Board Circular No. 46/2017-Customs dated 24-11-2017

CMA A. B. Nawal
Chairman
Corporate Laws Committee
Institute of Cost Accountants of India

Let us analyze the legal provisions for applicability of GST in each case of sale.

➤ Importation :

"India" has been defined u/s 2(56) of CGST Act 2017 as :

★ Section 2(56) "India" means the territory of India as referred to in article 1 of the Constitution, its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976, and the air space above its territory and territorial waters

★ As per Section 7 (2), Supply of goods imported into

India, till they cross customs frontier of India, shall be treated to be supply of goods in course of inter-State trade or commerce. Further as per Section 8 (1) (ii), goods imported into the territory of India till they cross the customs frontiers of India will not be treated as Intra State supply of goods.

Further, Section 3(7) of Customs Tariff Act 1975 which is reproduced below :

Any article which is imported into India shall, in addition, be liable to Integrated Tax at such rate, not exceeding forty percent. As is leviable under section 5 of the Integrated Goods & Services Tax Act 2017, on a like article on its supply in India, on the value of the imported article as determined under section (8).

In view of the above, on importation of goods and clearance from the port of importation will attract IGST over & above Basic Custom Duty.

➤ Sale from SEZ and FTWZ :

In accordance with Rule 11(11) of SEZ Rules 2006, SEZs are deemed to be Port and they are included in Section 7 of the Customs Act 1962 in accordance with the provisions of Section 53 of the Customs Act 1962. The said Rule is reproduced below:

"The Special Economic Zone shall be deemed to be a port, airport, inland container depot, land customs station under section 7 of the Customs Act in accordance with the provisions of section 53 from the date notified in this behalf:

Provided that Specified Officer may designate any area or area(s) in the Special Economic Zone as an area for loading and unloading of import or export cargo:

Provided further that in case the said port, airport, inland container depot, land customs station area is to be used for loading and unloading of import or export cargo meant for Domestic Tariff Area importers and exporters also, storage for such cargo shall be in a separate enclosure and deliveries for such cargo shall be allowed by the Authorized Officer of the Special Economic Zone based on Bill of Entry, assessed by the Assistant or Deputy Commissioner of Customs having jurisdiction over the said Customs Station.

Provided also that addition or inclusion of any land to an existing Special Economic Zone, where such land contains a port, manufacturing unit, or structures in which no commercial, industrial or economic activity is in progress, then such Special Economic Zone shall not be eligible for any duty benefits in respect of the pre-existing structures but any additions or up-gradations to such existing ports manufacturing units, or structures after their addition or inclusion in a Special Economic Zone shall be eligible for the fiscal incentives as applicable for a new infrastructure in a Spcial Economic Zone and also the authorized operations being carried on in such infrastructure shall be eligible for benefits as provided for under the Special Economic Zone Act and Rules."

In view of the above, any sale from Port of Importation, airport, inland container depot, land customs station & SEZ will be required to file Bill of Entry for home consumption and pay Basic Customs Duty and IGST.

➤ High Sea Sale:

Let us understand important relevant definition for the purpose :

✔ Important Definitions as per IGST

- ★ Section 2(4), "customs frontiers of India" means the limits of a customs area as defined in section 2 of the Customs Act, 1962
- ★ Section 2(10) "import of goods" with its grammatical variations and cognate expressions, means bringing goods into India from a place outside India

✔ Important Definitions as per CGST Act:

- ★ Section 2(56) "India" means the territory of India as referred to in article 1 of the Constitution, its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976, and the air space above its territory and territorial waters

✔ Important Definitions as per Customs Act:

- ★ Section 2(11) "customs area" means the area of a customs station and includes any area in which imported goods or export goods are ordinarily kept before clearance by Customs Authorities

★ 2(13) "customs station" means any customs port, customs airport or land customs station;

✔ Though GST Act does not define "crossing the customs frontiers", Section 2(ab) of CST Act, 1956 defines it as: "crossing the customs frontiers of India" means crossing the limits of the area of a customs station in which imported goods or export goods are ordinarily kept before clearance by customs authorities.

✔ As per Section 7 (2), Supply of goods imported into India, till they cross customs frontier of India, shall be treated to be supply of goods in course of inter-State trade or commerce. Further as per Section 8 (1) (ii), goods imported into the territory of India till they cross the customs frontiers of India will not be treated as Intra State supply of goods.

✔ In case of High Sea Sale, the sale takes place while the goods are yet on high seas i.e. before they are imported and before entering (crossing) the Customs frontiers of India itself, by way of transfer of documents of title of goods.

✔ Therefore, considering the above provisions, it can be concluded that high sea sales will not be taxed since the sale takes place before the goods are imported into India and enter the customs frontier. Conditions of Section 7(2) are not satisfied.

✔ Thus, if both the sections are read together, we can arrive at the following:

1. Till the time, imported goods cross the customs frontier of India, it will not be treated as import as well as inter-state supply as per Section 7(2).
2. Since it is not inter-state supply, it cannot also be treated as intra-state supply because to get the supply treated as intra-state supply, the location of the supplier and the place of supply should be in the same State / UT.

In view of the above, all the high-seas transactions are neither inter-state supply nor intra-state supply and hence will be out of GST purview.

● **Sale from Public Bonded Warehouse or Private Bonded Warehouse**

● As per Section 2(4), "customs frontiers of India" means the limits of a customs area as defined in section 2 of the Customs Act, 1962. Further as per Section 2(11) "customs area" means the area of a customs station and includes any area in which imported goods or export goods are ordinarily kept before clearance by Customs Authorities. Also, as per Section 2(13) "customs station" means any customs port, customs airport or land customs station;

● Considering the definition of customs frontier, customs area and customs station, it can be concluded that the Bonded warehouse is a customs area wherein the goods are kept before clearance by Customs Authorities. It is therefore clear that when goods are stored in a Bonded Warehouse, the goods have already been imported into India.

● As per Section 7(2), Supply of goods imported into India, till they cross customs frontier of India, shall be treated to be supply of goods in course of inter-State trade or commerce.

● Thus, the sale from Bonded warehouse will be covered under Section 7(2) since the limits of the area of a customs station in which imported goods or export goods are ordinarily kept before clearance by customs authorities are not crossed i.e. customs frontier of India are not crossed.

● CBEC has also taken the same view in the Circular No. 46/2017-Customs dated 24-11-2017

The taxability of the said transaction will be as under:

Particulars	Customs Duties	Valuation	IGST / CGST + SGST	Valuation
Filing of BOE for warehousing by A Ltd	NIL	Assessable value needs to be determined in accordance with Section 14 (1) of the Customs Act, 1962 - value at the time of import should be considered which is the transaction value of such goods, i.e. the price actually paid or payable for the goods when sold for export to India for delivery at the time and place of importation read with valuation rules	NA	NA

Particulars	Customs Duties	Valuation	IGST / CGST + SGST	Valuation
Sale of A Ltd to B Ltd and filing of BOE for home consumption by B Ltd	BCD + IGST	Value at the time of import should be considered. Since Bond to Bond Bill of Entry is already made wherein the assessable value is already arrived at by adding landing charges, there will not be a requirement of determining the assessable value at time of bill of entry for home consumption and the assessable value at time of warehousing will be considered for determining assessable value for home consumption.	IGST	Transaction value plus duties of customs

It is pertinent to note the Supreme Court Decision in case of M/s Ashoka Hotel Vs Assistant Commissioner of Commercial Taxes where in it is held that when the goods are kept in bonded warehouses, it cannot be said that goods have crossed the customs frontiers of India. The goods are not cleared from the customs till they are brought into India by crossing the customs frontier. This case is on the pretext that the duty-free shops of the appellant are beyond the customs frontiers of India and sale takes place before the goods crossed the customs frontiers of India i.e. outside India and hence outside purview of the State Tax.

Para 23:

"Looking to the aforestated legal position, it cannot be disputed that the goods sold at the duty free shops, owned by the appellant, would be said to have been sold before the goods crossed the customs frontiers of India, as it is not in dispute that the duty free shops of the appellant situated at the 13 International Airport of Bengaluru are beyond the customs frontiers of India i.e. they are not within the customs frontiers of India

Para 30:

"They again submitted that `in the course of import' means `the transaction ought to have taken place beyond the territories of India and not within the geographical territory of India'. We do not agree with the said submission. When any transaction takes place outside the customs frontiers of India, the transaction would be said to have taken place outside India.

Though the transaction might take place within India but technically, looking to the provisions of Section 2(11) of the Customs Act and Article 286 of the Constitution, the said transaction would be said to have taken place outside India. In other words, it cannot be said that the goods are imported into the territory of India till the goods or the documents of title to the goods are brought into India. Admittedly, in the instant case, the goods had not been brought into the customs frontiers of India before the transaction of sales had taken place and, therefore, in our opinion, the transactions had taken place beyond or outside the custom frontiers of India."

Section 7(2) specifically covers those cases where goods are imported into India but have not crossed the customs frontiers. Therefore, this case law will not be relevant in GST Scenario.

To conclude, when Title of property changes in the Public Bonded Warehouse and private Bonded Warehouse, there will be impact of double taxation. In other words, IGST will be paid twice and only once credit will be available. This is unfortunate but based on the law of GST as on date.

CBEC Board Circular 46/2017-Customs dated 24-11-2017 reconfirms the views, but which is not logical and legally correct till the time GST Council recommends exemption of IGST on transfer of title in the Public Bonded Warehouse / Private Bonded Warehouse. MA

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Eastern India Regional Council

EIRC conducted an extensive career awareness programme in the Eastern Region for the improvement of the potential students at various schools and colleges in West Bengal. On 2nd November, 2017, Shri Ajoy Agarwal, Dy. Manager, Deloitte Haskins & Sell delivered on 'Overview of GST - Challenges during implementation' . On 15th November, 2017, CMA B.N. Bhattacharya delivered his lecture on 'Contract Management –Role of CMAs'. On 24th November, 2017, Dr. R.K. Adukia delivered his speech on the topic 'Valuation of Assets', chaired by CMA C.V. Ramana.

The Region organized workshop on various topics at its premises during this month. On December 1, 2017, EIRC organised a seminar on 'Productivity through Technology'. CMA T C A Srinivasa Prasad, Former ED SAIL & Former CCM of the Institute was the resource person. On December 9, 2017 the Region organized a seminar on 'Forensic Audit & Economic Fraud'. CMA Aloke Kr Bardhan, Officer, MCA, GoI was the speaker of the seminar. On December 14, 2017, EIRC organised a seminar on 'GST – Latest Issues'. CMA Chiranjib Das, Practitioner & Ex. Jt. Director of the Institute was the resource person of the seminar.

The Institute of Cost Accountants of India - Rourkela chapter

The Chapter as an initiative towards e-learning, established e-library, the first e-library in the Steel City at Rourkela. E-library was inaugurated by CMA Bashir Masoudi, chairman of the chapter on October 28, 2017 and CMA Bashir

Masoudi stated that e-learning was the need of the hour for students and explained the utility of e-library for the students. Another initiative of the chapter to improve the brand of Cost and Management Accountants is popularising the CAT course. With the implementation of GST, there is a tremendous demand in the market for persons with requisite knowledge to aid the industry and business particularly in SME sector in GST implemention.

The Chapter already initiated career appreciation programmes in this direction and has planned to give admission to some students during this session.

The Institute of Cost Accountants of India-Durgapur Chapter

The Chapter organized a one day seminar on 'Transforming India' at Steel Club Auditorium, Durgapur on December 17, 2017. The gathering was addressed by CMA Pranab Kumar Chakraborty, Chairman, EIRC followed by key note address by Swami Vedatitaananda, Ram Krishna Math & Mission.

CMA Sanjay Gupta, President of the Institute addressed the gathering by citing different activities undertaken by the Institute on different reform initiatives of the Government. "Guidance Note on Anti Profiteering" of the Institute was also released. Chief guest Sri A K Rath, CEO, Durgapur Steel Plant, SAIL presented his views on the topic sharing his personal experiences gathered by travelling to thriving economies of the world and comparing their scenarios with the Indian context. There were two technical sessions and Prof. B B Chakraborty from IIM, Kolkata was the speaker for presenting the first technical session on 'Indian Economy- Macro Issues & Impact on Global Financial Markets' and the second one was on 'Trade Receivables Discounting System (TreDS)- A Step Forward Towards Digitisation' presented by speaker Sri Soumen Das, Group Head of SME Kolkata Division of CARE Ratings.

Northern India Regional Council

The Institute of Cost Accountants of India -Jaipur Chapter

The Chapter conducted career awareness and counselling programmes at different schools in Jaipur on November 14, 2017 and November 28, 2017. In both the schools, CMA P.D. Agrawal, Director, Coaching explained in detail about CMA Course and opportunities available in practice as well as in employment after passing the CMA Course.

The Institute of Cost Accountants of India -Kota Chapter

The Chapter organized Communication and Soft Skill Training Program from October 14, 2017 till October 16, 2017 at CMA Bhawan for the students, faculty members, Management Committee Members. The Chapter observed Vigilance Awareness Week and the office bearer and students of the chapter took the integrity Pledge on November 4, 2017. On November 12, 2017 the chapter organized Members Meet and Felicitation Program. On November 15, 2017 the chapter organized CMA career counselling program at JDB Govt. Girls College, Kota as an Initiative of special career counselling drive.

Southern India Regional Council

The Institute of Cost Accountants of India - Coimbatore Chapter

The Chapter celebrated Baal Sahbagita - Children's Day on 14th November,2017 and arranged various competitions for the students of sub-urban Matriculation School, Ramnagar, Coimbatore. The Chapter conducted a computer training program for intermediate students from 5th November, 2017 and arranged a communication & soft skill program for intermediate oral students from 4th November, 2017. On November 15, 2017, 84th session faculty meeting was conducted and the meeting was chaired by chairperson of the chapter, CMA Meena Ramji. On November 30, 2017 a PD programme on 'Recent Developments on GST' was conducted at the chapter and speaker, CMA R. Sathish gave an in depth lecture on the subject. The Chapter introduced the full day oral coaching for the benefit of the students and the first batch of Intermediate Group 1 class was inaugurated at the chapter on 3rd July, 2017 by chairperson and treasurer of the chapter. The Chapter organized various career counselling programmes at different colleges in Coimbatore in July 2017. Two Professional Development programmes were organized by the chapter on July 2017 on overview of Companies Act, 2013, Role of CMAs and August 2017 on Improving Productivity of Professionals by manufacturing of the Time & IT embedded GST. The Chapter entered into MoU with Karunya School of Management, Karunya University, Coimbatore for operation of Satellite Centre for Foundation Course. The annual CMA students festival 'COSMA FEST – 2017' was celebrated on 19th August, 2017 and chapter students and students from various local colleges and Satellite Centres participated in the program. Chief Guest for valedictory session was Smt. Vanitha Mohan, President, The Indian Chamber of Commerce & Industry, Coimbatore, Vice Chairman , PRICOL Ltd., Coimbatore and Managing Trustee of SIRUTHULI gave away the prizes to the winners and addressed the students.

The Institute of Cost Accountants of India-Visakhapatnam Chapter

The Chapter organised the Tree Plantation and Swatch Bharat Program in association with The International Association of Lions clubs on November 26, 2017 at CMA Bhawan.

The Institute of Cost Accountants of India-Bangalore Chapter

On November 25, 2017 the Chapter organized professional development meet on 'Latest developments in GST' at its premises and CMA Vishwanath Bhatt, Practicing Cost Accountant attended the Meet. On December 1, 2017 the Chapter organized another PD Meet on "Relevance of & Changes required in CAS-4 under GST Era" at its premises and CMA Jagannathan T K, Practicing Cost Accountant was the speaker of the programme. On December 6, 2017 an H R Subramanya Memorial Lecture had been held on "Insolvency & Bankruptcy code, 2016'at its premises and CS CA Gopalakrishna Hegde, Central Council Member of ICSI was the speaker of the programme. On December 4, 2017 "Institutions Interaction" with Sri Ananth Kumar Hegde, Hon'ble Union Minister for Skill

development & Entrepreneurship was organized and he explained about the CAT Programme at Mysore. CMA H S M Bhatta, chairman, CMA N R Kaushik, vice chairman, CMA Sreepada H R, secretary and CMA Vishwanath Bhatt, past chairman of the chapter were present in the programme. The Chapter observed Kannada Rajyotsava Day at its premises on November 25, 2017 and CMA H S M Bhatta, chairman, honored Sri Srinath Sastry, the founder of "NUDI" for his great contribution to Kannada Script software development.

Western India Regional Council

The Institute of Cost Accountants of India- Pimpri Chinchwad Akurdi Chapter

The Chapter conducted an Investor Awareness programme for the benefit of members on November 11, 2017 at CMA Bhawan, Pimpri. Guest Speaker CMA Arvind Paranjape, conducted lecture on 'Prosperity through Mutual Funds' and he focused on Mutual Fund and how people can start with financial planning. The Chapter conducted a seminar on 'GST-Recent Changes' on November 18, 2017 and CMA Mahendra Bhombe, chairman of the chapter focused recent changes in GST in the 23rd Meeting of GST Council of Government of India. In view of the industry awareness and campus placement for Intermediate and Final students in industries the chapter organised Industrial visit on November 18, 2017 at PRISM Technology Pvt Ltd, Talegaon Dabhade. The Chapter conducted motivational lecture on 'How to Crack the Exam in first Attempt' on November 27, 2017 at CMA Bhawan deliberated by CMA Mahendra Bhombe, Chairman of the chapter and Dr. Neeta Parate, President of International Association Industry Institute Interface (IAI3), Founder CEO, Neeta Training & Consultancy Services & Executive Director of IFISE.

Memberships

Admission to Associateship, Effective Date is December 05, 2017

Membership No	Name
43375	Sidhartha Sankar Das
43376	Ch Srinaga Mahalaxmi
43377	Naga Venkata Gopikrishna Tadepalli
43378	Nikhil Ashok Shirode
43379	Manish Sunil Sood
43380	Krishna Reddy Pandugula
43381	Krunal Rameshbhai Jadhav
43382	Ramita Khatua
43383	Tapan Kumar Goswami
43384	Ramiz Hyder
43385	Veena Subray Bhat
43386	Akshay Sunil Dande
43387	Jamsheer V P
43388	Prakash Mohanlal Chauhan
43389	D Basudeva Reddy
43390	Priyanka Sethi
43391	Durga Prasad Sathua
43392	Vinod Krishna Avatapalli
43393	Naga Sateesh Babu Bypalli
43394	Akhildev C D
43395	Brij Jayeshkumar Doshi
43396	Amitkumar Rajendra Zala
43397	Rahul Kumar Shaw
43398	Nethra V N
43399	Vishnu Nair V P
43400	Swanand Sachin Chachad
43401	Pooja
43402	Madhavi Niranjan Minase
43403	Srikant Balakeswara Kandala
43404	Ankit Bansal
43405	Jegannath G
43406	Gaurav Gupta
43407	Muzammil Husain Mohammed Murtuza
43408	Yogesh Madhukar Shinde
43409	Akhil Vithal Salgaonkar
43410	Gopinath Swain
43411	Pushpender
43412	Jatin Chopra
43413	Pintu Kumar
43414	Narendar Kaza
43415	Nidhi Aggarwal

Membership No	Name
43416	Bikash Kumar Rout
43417	Maddali Naveen Chakravarthy
43418	Krishan Mohan Prasad
43419	Pratap Singh
43420	Avula Naga Raju
43421	Pavan Kumar Naval
43422	Gowri Vaidyanathan
43423	Sunita Baburao Kumbhar
43424	Suresh Kumar Mandadapu
43425	Mohan Rao Thotakura
43426	Bhailalbhai Keshavlal Panchal
43427	Shubhangi Dnyanoba Jadhav
43428	Niharkumar Ashokbhai Naik
43429	Abhishek Cheekoty
43430	Ramesh Bailur Madhav Rao
43431	Vishnu M V Nair
43432	Rama Krishna Prasad Boggavarapu
43433	Sriya Anindita Guru
43434	Pargat Singh
43435	Aman Pal
43436	Subbareddy Bhimavarapu
43437	Rajesh Kumar
43438	Sandeep Singh
43439	Binny Rani
43440	Shreyansh Singhvi
43441	Bandalakunta Manasa
43442	Bharat Kumar Muppidi
43443	Bhaskar Kalita
43444	Divya Pradeep
43445	Sriranjani S
43446	Mustaq Shaik
43447	Parul Vaishnav
43448	Phirke Gajanan E
43449	Amit Sudhir Kulkarni
43450	Aftab Siraj Patel
43451	Shyam Kumar
43452	Devarajan Srinivasan
43453	Emmanual Babu Narru
43454	Ishwari Lal
43455	Mayuresh Arun Shinde
43456	Vidit Goyal

Memberships

Admission to Associateship, Effective Date is December 05, 2017

Membership No	Name
43457	Mukesh Pravin Sawairam
43458	Sujatha Chikkala
43459	Santosh Kumar Agarwal
43460	Anteema Agrawal
43461	Murali Sankar Avasarala
43462	Gayatri Vishwas Pol
43463	Dhawal Jain
43464	Ketankumar Nanubhai Sorathiya
43465	Sumit Agrawal
43466	Venkata Buchi Rama Murty Nandyala
43467	Kalyana Krishna Charugulla
43468	Om Prakash Awasthi
43469	Puneet Kainth
43470	Akshata Shekhar Bhadgaonkar
43471	Divesh Jindal
43472	Shivani Tiwari
43473	Sandeep Kumar
43474	Venkata Krishna Aravapalli
43475	Mamilla Kishore Kumar Reddy
43476	Gitika
43477	Muhammed Shareef P V
43478	Aditya Varanasi
43479	Shivanshu Kumar Arya
43480	Shareef Shaik
43481	Shashibhusan Khuntia
43482	Veeravasantharao Konanki
43483	Gokula Ramanan T
43484	Srihari Balajee Kallakuri
43485	Amar Rajendra Dhawade
43486	Ashok Prasad
43487	Rajani Makireddi
43488	Nagarjuna Rao Nidamanuri
43489	Shyam Sundar Tripathy
43490	Venkatesh Vasudevan Acharya
43491	Sojan Joseph
43492	Amitkumar Harilal Jaiswal
43493	Ashu Ohrie
43494	Sanjay Pal
43495	Abhijeet Sinha
43496	Ashok Kachru Gaikwad
43497	Divya Arjunbhai Bhanushali

Membership No	Name
43498	Divya J
43499	Rohit
43500	Srikant Sharma
43501	Sahil Wantu
43502	Sanjay Kumar Misri
43503	Apoorva Amol Risbud
43504	Avari Rakesh
43505	Md Ishtiaque Ullah
43506	Aayush Sanjay Shah
43507	Seema Rameshbhai Pandav
43508	Pushpa Latha K
43509	Hans Raj Bhogra
43510	Bhanusri Swargam
43511	Shravan Kumar Nemani
43512	Pankaj Kumar Joshi
43513	Sudheer M S
43514	Vivek Jagdishrao Vichare
43515	Vaikuntanath B K
43516	Navneet Sharma
43517	Jagdeep
43518	Ganesh R
43519	Charvi Madan
43520	Anand Shrikant Yadav
43521	Kishore Kaku
43522	Sailakshmi Akkineni
43523	Arza Padmaja Rani
43524	Sonal Mittal
43525	Shyam Sunder Bangaru
43526	Gopal Singha
43527	Rahul Kachru Phad
43528	Parthasarathy Thirumalai
43529	Tanushri Chatterjee
43530	Yogesh Singh Bisht
43531	Prasanna Manikanta Swamy Gundumenu
43532	Gurusamy Raja Rojavu Raja
43533	Muthusamy Balasubramaniam
43534	Vishal Haribhau Vehale
43535	Sujeet Sharma
43536	Priyanka Krishna Bhosale
43537	Mahender Adwala
43538	Swagata Bose

Memberships

Admission to Associateship, Effective Date is December 05, 2017

Membership No	Name
43539	Mohankumar S
43540	Antony Jackson J
43541	Pooja Nilesh Deorah
43542	Bhuvaneswari Rajendran
43543	Fisal Ali Khan S
43544	Niraj Singh
43545	Rashmi Minocha
43546	Ankit Srivastava
43547	Daljeet Singh
43548	Harish Kumar Arya
43549	Babu Bulli Sampath
43550	Pratap Ghose
43551	Praveen Venkataramanan
43552	Venkanna Ravuri
43553	Siddhartha Madhukar Patwardhan
43554	Phani Teja Anil Kumar Kanuri
43555	Binod Kumar Senapati
43556	Sekhar Babu Busam
43557	Sampat Kumar Pandit
43558	Valpula Raju
43559	Shafeeqe Edakkandathil
43560	Vipinkumar Kailashnath Mishra
43561	Pankaj Tandon
43562	Debasmita Jana
43563	Kuldeep Saini
43564	Sonu Premchand Kannaujiya
43565	Khayum Bembrekar
43566	Sujata Mylavarapu
43567	Neha Gupta
43568	Dev Chandra Yadav
43569	Raj Sanjay Doshi
43570	Ramesh R
43571	Chirag Ishvarlal Pandya
43572	Manohar Reddy Pothureddy
43573	Somnath Agarwal
43574	Haritha Challa
43575	Giridhar Dande
43576	Bhagavathi Devi Ravipati
43577	Vandana Chandersen Bhoneja
43578	Avdhesh Kumar
43579	Biswajit Ghosh

Membership No	Name
43580	Sanjay Kumar Gupta
43581	Siddhartha Ghosh
43582	Dhrumit M Patel
43583	Tanay Guha
43584	Sumit Singha Roy
43585	Varsha Kashyap A
43586	Aritra Roy
43587	Partha Pratim Guha
43588	Ravi Kishore Barama
43589	Samir Kumar Sarmah
43590	Bhagvan Subhash Khandave
43591	Ramya K
43592	Parasuraman Venkitasamy
43593	Logesh Ramadoss
43594	Shilju Thomas
43595	Venkatanarayana Somisetty
43596	Sunil Jaysing Khude
43597	V V S S M Surya Rao
43598	Amir Ahmad
43599	Amit Tandon
43600	Sai Kiran Patcha
43601	Renu Malhotra
43602	Navin Saravanan Rajandran
43603	Ariya S R
43604	Meena V
43605	Harjeet Singh
43606	Siva Rama Krishna Gunda
43607	Lekshmi K
43608	Abdul Muneer P
43609	Anil Kumar
43610	Pankaj Pradeep Kundap
43611	Ramdas Bhaguji Dhongade
43612	Anjani Kumar Neeraj
43613	Dhara Niranjan Kumar Jani
43614	Jagannath Sahu
43615	Neha Baldia
43616	Murlidhar Jagetiya
43617	Geethesh Bajaj
43618	Greeshma A
43619	Namrata Balkrishna Pawar
43620	Ajay Yadav

Memberships

Admission to Associateship, Effective Date is December 05, 2017

Membership No	Name
43621	Kalpana Daka
43622	E V Usha Rani
43623	Rajesh Garg
43624	Rohini Krishnan
43625	Babitha Reddy Baddam
43626	Saleem Abdul Rahim
43627	Yeeshu Chaudhary
43628	Ashish Shrikantrao Inamdar
43629	Sagar Kumar Rana
43630	Satyam Maity
43631	Nazmul Huda Barbhuiya
43632	Anoop Yesodharan
43633	Anant Jagannath Dargad
43634	Pranav Jayan
43635	Nakul Joshi
43636	Siva Rama Krishna G
43637	Reniguntla Nanda Kishore
43638	Jimis Satishbhai Shah
43639	Mohammed Abdul Wasay
43640	Anshuman Nayak
43641	Bhakti Amol Pawar
43642	Poonam Chandrasen Nawani
43643	Navnath Sakharam Ethape
43644	Sindhu G
43645	Shambhavi Rohan Prabhu
43646	Poonam Laxmishankar Prajapati
43647	Nagarjuna Reddy Gowni
43648	Sajin Odupara

Membership No	Name
43649	Nitin Kalra
43650	Probinananda Mukherjee
43651	Hema R
43652	Arun Vishwanath Tripurari
43653	Somya Ranjan Sahu
43654	Jitendra Kumar
43655	Harshil Shaileshkumar Shah
43656	Ramakrishnan N S
43657	Hardik Bhupendrabhai Chokshi
43658	Kailas Bhausaheb Shinde
43659	Nishanth Nimmagadda
43660	Sruthi A V
43661	T V Sundar
43662	Ambika Kumari
43663	Ramakrushna Padhy
43664	Shyamaghan Giri
43665	Adil Thaha S V
43666	G Ramabhupal Reddy
43667	Rakhi Gupta
43668	Aneesh George
43669	Anil Balkrishna Hadap
43670	Md Naushad
43671	Arun R
43672	Aradhana Panda
43673	Amit Ghosal
43674	Veer Diwakar Tyagi
43675	Ruchi Tyagi
43676	Dhananjay Pandurang Jadhav

Advancement to Fellowship, Effective Date is December 05, 2017

Membership No	Name
6512	R Mohan
6654	Vithal Das Mall
11650	Shanker Prasad Chowdhary
14421	Ashok Kumar Singh
17679	Pravin Suresh Jape
18333	Tapas Ranjan Roy
18643	Nitin Agarwal
19896	Sradha Kanta Nayak
20858	Subrata Das
21688	Tara Chand Khetan
23089	Akash Ohri
23514	Jai Kochadampallil George
23815	Pratyush Chaturvedi
24363	Manish Kumar Jain
24653	Sudhakar Onkaram
25115	Krishna Dasan A.
26143	Mallikarjuna Rao Syamala
26217	Khandavilli Sreenivas
28199	Khirod Kumar Parida
29038	Ravi Pratap Singh
29204	Bibek Kumar Prajapati
29216	Bishnu Prasad Behera
29241	V Murali
29525	Shrikant Uttam Shevate

Membership No	Name
30627	Srinivasa Rao Palla
30903	Louis D:Souza
30975	Anil Ajay Kumar
31057	Vivek Wasant Shrirangbhattalwar
31354	Amit Kumar
31390	Kasinath K
31472	M Kesari
31475	Subbaiah Kothamasu
31479	Subbiah Uma Maheswari
31485	Swamy L N Jeear Nunna
31841	Tej Singh
31952	Jaya Kumar M S
32243	Govindarajan Sugumar
32615	Swapnil Ramkrishna Dahake
32885	Mukesh
32922	Smita Nilesh Mazumdar
33079	Sonia Sanga
33185	Jatin Sharma
33397	Deepak Kumar Khandelwal
33430	Niranjan Kumar
33478	Tarun Devtalla
33589	Rishab Jain
33592	Punam Vijaykumar Maharshi

ROLE OF CMAs IN PARADIGM SHIFT IN INDIAN BANKING SYSTEM

✤ Techno-Economic Analysis for Project Financing:

There are several banks/FIs that have been active in undertaking project finance. Project finance is best suited for developing infrastructure where the capital expenditure is relatively high and the revenue visibility is long term in nature. Due to inapt technology and Management Information System (MIS), market driven decisions on real time basis cannot be taken. In this regard, banks may consider verification of all financial and business transactions, books of accounts in order to ascertain real factors that contributed to sickness of the borrower. CMAs with their professional expertise can carry out due diligence of projects including doing pre-bid advisory, preparing financial model by estimating cash flows for the project, doing promoter analysis and preparing structure of the funding to meet specific requirements in a project.

✤ NPA and Corporate Debt Restructuring:

The Non Performing Assets issues have been plaguing the banking sector and posing questions over the stability of Indian Banking System for long. NPA can affect the profit of the bank, asset valuation, bank rating, Capital adequacy ratio and Cost of funds adversely. The mechanism of CDR is highly applicable in the management of Non Performing Assets. CMAs would help to conduct viability study in case of restructuring or rehabilitation and also aid in ensuring the correctness of methods/systems adopted by borrowers in pricing their products. They can act as consultants and suggest the preventive measures on accounts which provide distress signal by continuously monitoring borrowers' account. Further, CMAs can do Credit Audit, Stock Audit and Concurrent Audit to facilitate banks in identifying potential Non Performing Assets (NPA).

✤ Forensic Accounting and Auditing:

CMAs can play a big role in resolving the issues like Black Money and Undisclosed income. Banking sector frauds include insider trading, stock manipulation, accounting irregularity and have extended to technology based services offered to customers. Fraud and its redressal are the major areas of concern in the banking sector. CMAs can perform Forensic Audit to investigate fraudulent activities, uncover money laundering and find missing assets through a combination of investigative techniques and financial acumen. They are competent enough to perform Forensic Audit to investigate fraudulent activities, uncover money laundering, undisclosed income and find missing assets through a combination of investigative techniques and financial acumen.

✤ *Insolvency Professionals:*

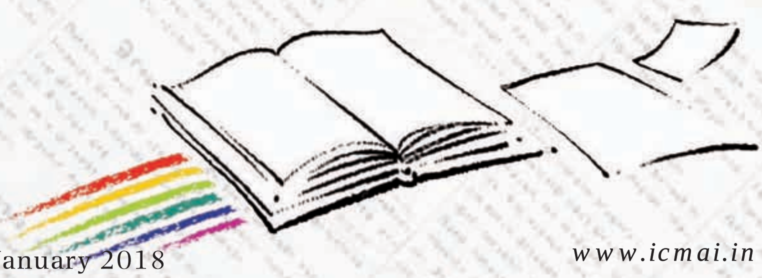
The Insolvency and Bankruptcy Code (IBC), 2016 has brought about the need for insolvency professionals towards improving the existing framework dealing with insolvency of corporate, individuals, partnerships and other entities. The Code creates a new institutional framework, consisting of a regulator, insolvency professionals, information utilities and adjudicatory mechanisms, that will facilitate a formal and time bound insolvency resolution process and liquidation. The advent of IBC, 2016 widened the scope for professionals like CMAs. They are proficient enough to be appointed as Insolvency Professionals, to deal with matters of insolvency, liquidation and bankruptcy and assist to reduce sufferings of banks overburdened by Non Performing Assets (NPA).

✤ *Basel Accords & Risk Mapping:*

Risk capital may be the safety cushion for banks, but alone may not be sufficient to protect them from any extreme unforeseen loss events. In reality, risk capital may not be so effective if banks do not evaluate their risk periodically and take well-timed curative action when the risk exceeds the threshold limit. Thus, whether it is Basel II or Basel III, it is crucial that a bank does not depend solely on "regulatory capital". Thus vibrant risk mitigation strategy is the need of this hour. CMAs can help in the risk management procedure by Resource Mapping and Risk Mapping techniques to develop a proper risk culture across the organization and "risk" should be an input for future decision-making. They can also carry out risk-based internal audit to provide reasonable assurance to the Board and top management about the adequacy and effectiveness of the risk management and control framework in the banks' operations.

✤ *Financial Literacy and Inclusion:*

CMAs being financial professionals may help banks in spreading financial literacy and thus support in financial inclusion in the country. They can facilitate the banks to formulate their own model(s) or choose any intermediary for extending micro credit and formulate the criteria for selection of micro credit organizations. They can lend hands to the banks to deal with micro credit organizations having proper credentials, track record, system of maintaining accounts and records with regular audits in place and manpower for closer supervision and follow-up. CMAs can lend their hands for effective pre-enquiry by the bank for sanctioning the loan to a customer, ensure credibility of the borrower and find out the original purposes of the loan required by the borrower with feasibility study of the project. Combining traditional wisdom with modern statistical tools like Value-at-risk analysis and Markov Chain Analysis CMAs can assess the creditworthiness of the borrowers.



ADVISORY FOR RENEWAL OF CERTIFICATE OF PRACTICE FOR 2018-19

The members of the Institute holding Certificate of Practice having validity up to 31st March, 2018 are requested to comply with the following guidelines for renewal of their Certificate of Practice:

1. The following changes consequent to amendment of the Cost and Works Accountants Regulations, 1959 vide Notification dated 4th February, 2011 published in the Gazette of India may be noted:

   a. The validity of a Certificate of Practice (COP) is for the period 1st April to 31st March every year unless it is cancelled under the provisions of the Cost and Works Accountants Act and Regulations, 1959 as amended.

   b. The Certificate of Practice issued shall automatically be renewed subject to submission of prescribed Form M-3 and payment of renewal fee and annual membership fee.

   c. From the year 2011-12 onwards, letter for renewal Certificate of Practice is not being issued.

   d. However, the members concerned may download the renewal status from the Institute's website www.icmai.in.

2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, both the **Annual Membership Fee *** and **Fee for Renewal of Certificate of Practice*** falls due on 1st April each year.

3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on **31st March** each year unless it is renewed on or before the date of expiry in terms of the amended Regulation 10 of the Cost and Works Accountants Regulations, 1959. Hence, a member shall be required to renew his certificate within **31st March** every year.

4. **If the Certificate of Practice of a member is not renewed within 31st March, 2018, his/her status of COP from 1st April 2018 till the date of renewal would be "Not Active".**

5. Subject to what has been mentioned in Sl. No. 4 above, a member can get his/her Certificate of Practice for 2018-19 renewed within **30th June, 2018.** If application for renewal of Certificate of Practice is made after 30th June 2018, the member's Certificate of Practice for 2018-19 will not be renewed but will be considered as a case of fresh issuance with effective date being the date of the application or receipt of the prescribed fee * for Certificate of Practice, whichever is later.

6. It may please be noted that mere payment of fees * alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form M-3 is to be used for Renewal of Certificate of Practice duly filled in and signed is **mandatory.** The soft copy of prescribed Form M-3 for Renewal of Certificate of Practice can be downloaded from Institute's website www.icmai.in.

7. The Institute has introduced a scheme of Continuing Education Programme (CEP) and the same is mandatory in accordance with proviso to sub-regulation (1) of Regulation 10 of the Cost and Works Accountants Regulations, 1959, as amended, whereby no Certificate of Practice and renewal thereof shall be issued unless a member has undergone minimum number of hours of such training.

The detailed guidelines in this connection are available on Institute's website www.icmai.in.

8. Other relevant issues for Renewal of Certificate of Practice are as follows:

a. Application for renewal of Certificate of Practice upto **31st March 2019** has to be made in prescribed **Form M-3** which may be filed online or through hard copy of form duly filled in and signed on both sides together with Renewal Certificate of Practice fee * of Rs.2,000/- and all other dues to the Institute on account of annual membership fees * and entrance fees *.

b. The annual membership fee * for Associate and Fellow members are Rs.1,000/- and Rs.1,500/- respectively. The entrance fee * for Associate and Fellow members is Rs. 1,000/- each payable at a time at the time of application for admission to Associateship or advancement to Fellowship, as the case may be.

c. The fees * may be paid online or by Demand Draft/Pay Order/at par cheque payable at Kolkata if remitted by post to the Headquarters of the Institute.

d. Members should note that the **renewal of Certificate of Practice can be effected only after receipt of the prescribed fees * along with duly filled in form at the Headquarters of the Institute and on meeting the stipulated CEP credit hours.** Mere submission of the same at the Regional Councils or Chapters will not be sufficient. Members are advised to make payment directly to the Headquarters or use the online facility of submission of application and payment to avoid any delay.

All practicing members are advised to send their application for renewal of Certificate of Practice for the year 2018-19 **along with other requirements as indicated above immediately so as to reach the Institute's Office at Kolkata by 28th March 2018 to enable the Institute to issue the renewal of Certificate by 31st March, 2018.**

***(GST is applicable against all types of fees to pay)**

Renewal of Part-time Certificate of Practice

1. For renewal of part-time Certificate of Practice, it is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practising member has undertaken any employment or there has been a change in employment:

"Shri/Smt .... is employed as (designation)..

and (name of Organisation) .... he is permitted, notwithstanding anything contained in the terms of his employment, to engage himself in the practice of profession of Cost Accountancy in his spare time in addition to his regular salaried employment with us.

Signature of Employers with seal of Organisation"

2. It may be noted that members holding Part-time Certificate of Practice (COP) are not eligible to undertake statutory assignments like Cost Audit, Central Excise Audit, Certification of Compliance Reports etc.

FLASH BACK 2017

January-Indian Banking Sector in Transition

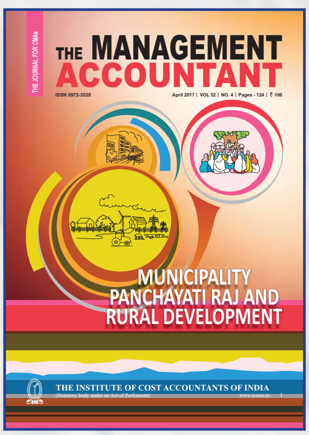
Banking is the backbone of any economy. The success of an economy is supported by a strong banking system and similarly banks are more successful when the economy does well. For banks to be successful, it is imperative to increase their customer base, retain their existing customer and offer customers the products and services which are most beneficial to them. The banking industry today is in a state of flux, with multiple technology, regulatory, and demographic factors cutting across the length and breadth of the value chain. The future of banking in India looks not only exciting but also transformative. Despite the somewhat difficult current operating environment, banks remain the largest financial sector intermediary in India. In future, technology will make the engagement with banks more multi-dimensional even as other entities, markets and instruments for credit and financial services continue to develop and expand.

February-Cost Leadership and Competitive Advantage

Cost competitiveness implies operating in an efficient manner to create maximum value to the consumers. It is achieved when an organisation is efficiently utilising skilled workforce, reducing costs of inputs, and controlling costs. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. To gain competitive advantage, small businesses can focus on different strategies, including leadership in cost, quality, innovation or customer service. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. Cost leadership is an effective business level strategy to the extent that a firm offers low prices, provides satisfactory quality, and attracts enough customers to be profitable. Cost leadership strategy takes place through experience, investment in production facilities, conservation and careful monitoring on the total operating costs.

March-Environmental Management Accounting

Environmental Management Accounting is the generation and analysis of both financial and non-financial information in order to support internal environmental management processes. EMA uses some standard accountancy techniques to identify, estimate, analyse, manage and finally focus on reducing environmental costs in a way that provides mutual benefit to the company and the environment. The purpose of environmental accounting and reporting is to provide information to the stakeholders for decision making purpose. Environmental reporting is a component of triple-bottom-line or sustainability reporting, addressing economic, environmental and social performance. The focus of EMA as a management accounting tool is used to make internal business decisions especially for proactive environmental management activities.



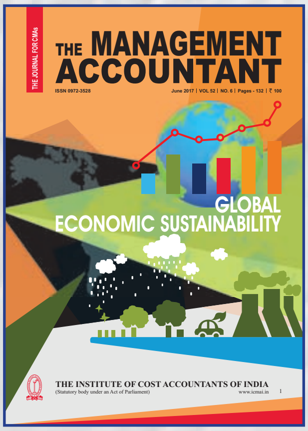
April-Municipality Panchayati Raj and Rural Development

Rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are needed. Municipalities represent urban local self-government. Most of the provisions of the two acts are parallel, differing only in the fact that they are being applied to either a Panchayat or a Municipality respectively. The purpose of municipal governance and strategic urban planning in a country is to create effective, responsive, democratic, transparent, accountable local governance framework organised according to a rational structure that promotes responsiveness and accountability to provide responsive policy guidance and assistance to sub-national entities; to strengthen the legal, fiscal, economic and service delivery functions of municipalities and to foster greater citizen participation in the governance of local bodies.

FLASH BACK 2017

May-Activity Based Costing & its Applications

Activity-based cost (ABC) and activity-based management (ABM) systems have emerged to meet the need for accurate information about the cost of resource demands by individual products, services and customers and these systems also enable indirect and support expenses to be driven first to activities and processes and then to products, services and customers. In this way managers obtain a clearer picture of the economics of their operations and could improve their decisions. ABC and ABM have brought about radical changes in cost management systems. The principles and philosophies of activity based thinking apply equally to service companies, government agencies, process and manufacturing industries. Management practices and methods have changed over the last decade and will continue to change. ABC technique mirrors the functioning of an organization and contributes to strategic decision-making processes. It identifies the relation of the product within the business activity and the resources it requires.

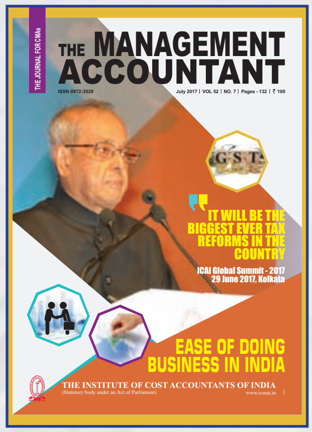


June-Global Economic Sustainability

'Sustainability' is the goal or endpoint of a process called 'Sustainable Development' which in turn comprises types of economic and social development protecting and enhancing the natural environment, social equity and human well-being. Both Sustainability and Sustainable Development focuses on balancing that fine line between the competing needs, the need to move forward technologically and economically sound, and simultaneously the needs to protect the environment. While sustainability is about the future of our society, it is playing a major role for today's commercial success of industries and businesses. The mandate to transform businesses to respect environmental limits while fulfilling social wants and needs has become an unparalleled platform for innovation on strategy, design, manufacturing and brand, offering massive opportunities to compete and to adapt to a rapidly evolving world.

July-Ease of Doing Business in India

Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. Ease of doing business index is the ranking system used by World Bank to measure the environment of doing business in a country. The focus of the 'ease of doing business policy' is mainly on cutting out the tedious documentation and unnecessary paper work and getting the work done in a shorter time span. It is now imperative to take steps to address the concerns and delays, to enable the industry to grow. This was a much needed step to simplify compliance and to make India more investor friendly.



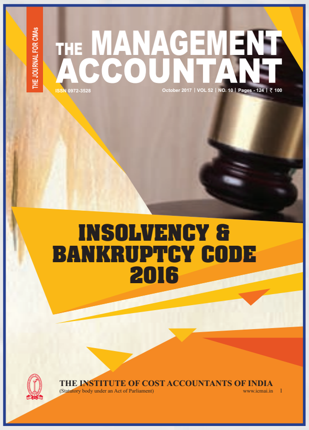
August-Competition Act Key Driver of Competitiveness

The Competition Act, 2002 is an Act to provide, keeping in view of the economic development of the country, for the establishment of a Commission to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interests of consumers and to ensure freedom of trade carried on by other participants in markets, in India, and for matters connected therewith or incidental thereto. Introduction of the Act is a key step in India's march towards facing competition, both from within the country and from international players. The Competition Act, 2002 also prescribes anti-competitive agreements and abuse of dominant position by enterprises and Commission's endeavour has been to strike the right balance so that markets remain truly open to innovative entrants.

FLASH BACK 2017

September-Integrated Reporting Going Beyond Financial Results

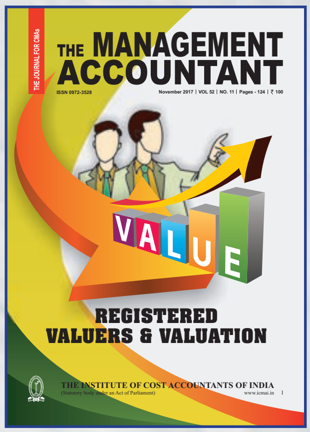
Over the last decade, many businesses and investors realized that conventional reporting is too complex, lacks relevance and weren't enabling them to communicate with each other sufficiently. Stakeholders are very keen to get access of financial and nonfinancial information on companies' business activities and sustainable value creation. Despite availability of information, yet many stakeholders cannot use pertinently the disclosed information due to separation of reports. Thus, "Integrated Report" brings together financial and nonfinancial measure in one-piece of the report. Integrated Reporting (IR) is expected to encourage companies to consider sustainability risks and adopt sustainable business practices, and in time, create a more sustainable society. IR may even improve quality of information accessible to stakeholders through combining the different constituents of reporting (financial, management commentary, governance and remuneration and sustainability reporting) in a comprehensible way that explain an organization's ability to create and sustain value.



October-Insolvency & Bankruptcy Code 2016

The Insolvency and Bankruptcy Code, 2016 (IBC) has been enacted by the legislation in order to consolidate the insolvency and bankruptcy laws. The Code has been aimed at revamping the then prevailing legal framework of insolvency and bankruptcy resolution in the country which was very fragmented. The code consolidated various legislations which dealt with Insolvency and Bankruptcy in India and provides for insolvency resolution process for corporates, limited liability partnership, individuals and partnership firms in a time bound manner for maximization of value of assets of these persons to promote entrepreneurship, availability of credit and balance the interests of all stakeholders.

November-Registered Valuers and Valuation



The Companies Act 2013 is one of the landmark legislations enacted in recent years to bring forth transparency, ease of doing business and protecting minority shareholders. Section 247 of the Companies Act, 2013 contains provisions exclusively regarding registered valuers. Effective valuation will not only help in eliminating doubts relating to arbitrary valuation and window dressing but will also act as an assurance to the concerned stakeholders and regulators regarding the authenticity of the valuation of the asset or liability under consideration and consequently helps in ease of doing business.

The requirement of registered valuers will definitely enhance professional opportunities for both Cost and Management Accountants and other professionals as well. Cost and Management Accountant being recognised as a valuer presents enormous opportunity to practising members of the Institute to exhibit their expertise and knowledge in this field acquired over time.

December-Governance in Real Estate

The Real Estate (Regulation and Development) Act, 2016 (RERA) initiated by the Government w.e.f. May 1, 2016, was passed by parliament last year to bring clarity and fair practices that would protect the interests of buyers and also impose penalties on errant builders. This brings for the first time ever, transparency, governance and accountability in the sector whose functioning has been considered opaque and where information asymmetry and potential money laundering fraud has had maximum scope. The law will eventually segregate quality developers from casual operators, giving consumers a sigh of relief from corrupt practices in the sector. The bill, which provides for the establishment of a Real Estate Regulatory Authority (RERA) in each State/Union Territory will bring in much-needed professionalism by regulating both commercial and residential transactions, all of which will be overseen by the RERA . The bill also establishes a fast-track dispute resolution mechanism through adjudication and a Real Estate Appellate Tribunal. While safeguarding the interests of the buyers and investors, developers will now have to comply with a host of new norms.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

WESTERN INDIA REGIONAL COUNCIL

Organises

6 CEP Credit Hours

NATIONAL SEMINAR

Theme: CMAs Partner in - Vision 2022 - for Vibrant India

Sub Topic

- **GST: Anti-profiteering compliance**
- **Insolvency and Bankruptcy Code: Challenges for Corporates and Banks**
- **Investing in India: A Mega Opportunity**
- **Catalyst for Economic Growth.**

Dates: Saturday 10th & Sunday 11th February 2018

Who should attend :
Working Professionals, Government Officials and Corporate Executives

Venue:
Yashvantrao Chavan Centre, General Jagannath Bhonsle Road, Opp Mantralaya, Nariman Point, Mumbai – 400021

Delegate Fees:
Members – Rs.2000/- +GST 18% = Rs.2360/- | Non Members – Rs.3000/-+GST 18% = Rs.3540/-
Early Bird discount of 15% for booking and payment till 15th January 2018

Group Discount for Corporates
15% for Nomination of more than 10 delegates | 10% for Nomination of more than 5 to 10 delegates

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Behind every successful business decision there is always a CMA

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