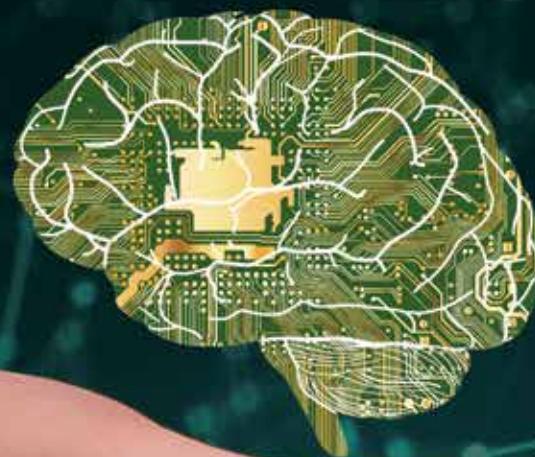


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A robot for a CHRO

A visiting tech lead at a robotics and communications lab outside Kyoto in Japan, who also teaches at Osaka University, which is a 2-hour commute for him, has created a robotic duplicate of himself, which can actually handle his teaching duties, once activated from a computer at the university lab. While the robot is not doing this 'in absentia' job still, such a proposition is not far off.

Another case is that of K2, a humanoid developed by Tech Mahindra and deployed at its Noida campus. K2 is said to be taking up HR functions with a human touch. It is described as a machine with a perfect blend of knowledge and kindness, handling routine HR transactions and offering constant assistance to the HR team in creating an enhanced employee experience. K2 uses artificial intelligence and can initiate a conversation without any need for wake-up commands. It can respond to queries with text display along with speech. It can also address general and specific HR-related employee queries as well as handle personal requests for actions like providing payslips, tax forms etc.



HR is one domain in which AI has gained huge presence. In the days to come, this is to peak and the involvement perfected. AI has already helped streamline several HR processes and eliminated the need for human interference. Unlike humans, who can influence decisions and show biases in their judgements, AI is dispassionate, fast and efficient.

There are several arguments for the use of AI in HR. Among these are that it can (i) process applications faster and facilitate quicker appointments, (ii) identify vacancies in the organization, then sift through job portals, identify the best-fit candidates, call them for interviews, even conduct interviews and finalize appointments, (iii) help create better retention and productivity by hiring candidates most suitable for a position, (iv) eliminate bias while hiring, (v) streamline onboarding with the use of chatbots, (vi) create better job descriptions, (vii) improve employee engagement and build better relationships and (viii) save time by automating routine tasks.

The question that arises is whether AI can fully take over HR departments like in a fully automated shopfloor. The answer is not yet, mainly because AI is still incapable of showing human empathy, emotions and personal judgment. Our cover story in this issue discusses how HR is increasingly becoming AI-dependent, and thereby efficient and transparent. HR professionals who have expressed their opinions maintain HR, in spite of AI, cannot be devoid of humans at least for the time being. Yet, it could be a possibility, like the robot in Osaka University, that AI can rule over the HR department.

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RBI consolidates supervisory, regulatory departments



The Reserve Bank of India has consolidated different departments involved in the supervision and regulation of banks, non-banks and cooperative banks under the department of supervision and department of regulation from 1 November. Financial sector supervision was being done by 3 separate departments - the department of banking supervision,

department of non-banking supervision and department of cooperative bank supervision. Similarly, the regulatory powers of the RBI over banks, NBFCs and cooperative banks were carried out through 3 separate departments - the department of banking regulation, the department of non-banking regulation and the department of cooperative banking regulation. RBI said the consolidation will make supervisory and regulatory functions of the bank more activity based rather than being segmented purely based on the organizational structure of regulated entities.

Bank of England not to name new governor now

The Bank of England is not likely to announce the successor of Mark Carney as the governor of the bank until after the general elections in Britain. Chancellor Sajid Javid has given up plans to announce his choice in view of the impending elections. He is said to have felt that announcing the name at this politically sensitive time may damage the independence of the bank. Carney is set to leave the bank at January 2020 and there is still time for the newly appointed governor to get prepared to take over. A panel of senior officials and the former monetary policy committee member had prepared a shortlist of candidates to the Treasury after holding interviews with applicants over the summer. The shortlist is said to include Andrew Bailey, chief executive of the Financial Conduct Authority, Minouche Shafik, head of the London School of Economics, Shriti Vadera, chair of Santander UK, and Ben Broadbent and Jon Cunliffe, both deputy governors at the bank.

'CBDC not a necessity for Korea'

The Bank of Korea is of the view that a central bank digital currency is not a necessity for at least developed countries. Hong Kyung-sik, director of financial settlement at the central bank, told a conference on payments in Seoul that in Korea, as in most advanced economies, there is very little need for a CBDC. The country already has advanced payment and settlement infrastructure. In addition, the degree of openness is also internationally high, he said at the conference. He added that money can be moved quickly, cheaply and safely in the country utilizing app-based solutions and by bank remittance, and purchases can be settled efficiently with credit cards. Open banking is also being developed in Korea, with APIs allowing for seamless connections to and between financial institutions, he pointed out.

Scandals like 1MDB may not happen in Malaysia again

Malaysia will not face financial scandals like the one involving Malaysian sovereign wealth fund 1MDB, the central bank governor nor Shamsiah Mohd Yunus has said. 1MDB, set up to promote Malaysia's development, has been at the center of one of the world's largest corruption and money laundering scandals, as billions of dollars went missing from the fund. It tarnished Malaysia's image as a safe place to do business in and dented foreign investors' confidence in putting money in the country. The governor said the new government has taken a number of steps to prevent such financial scandals from happening again. One of the structural reforms that the government has introduced is to put in place a framework, a system, a culture that will eradicate corruption.

Pakistan has a new payments strategy

Pakistan has a new National Payments Systems Strategy. The governor of the State Bank of Pakistan Dr Reza Baqir, launched the National Payment Systems Strategy in the presence of president of the World Bank, David Robert Malpass and key stakeholders including regulators, government entities, banks and telcos. Baqir spoke about the benefits that the NPSS would bring to the people and economy of Pakistan and said this strategy lays out a road map and action plan for Pakistan to have a modern and robust digital payments network. He said that the key goal of this strategy would be to make access to financial services easier for people and help in improving financial inclusion in the country, particularly for women, along with greater documentation of the economy. Baqir also announced the issuing of the rules for digital onboarding of merchant, which will help increasing the touch points for digital payments in Pakistan.

Christine Lagarde is new president of ECB



The European Central Bank has a new president. Christine Lagarde took over as head of the European regulator on 1 November, replacing Italy's Mario Draghi. Lagarde was the former French finance minister and International Monetary Fund chief. She is the first woman president of ECB after three male leaders headed the organization since it came into existence in 1998. She was also a former corporate lawyer and had stints in politics and international organizations. Notably, she lacks any formal economics qualifications of former presidents of ECB. ECB has 6 executive board members and 19 eurozone central bank governors on the council.

SBI to conduct micro-market study



State Bank of India is looking for a consultant to take up a micro-market study and define market share improvement plan for the 5 metros of Delhi NCR, Bengaluru, Hyderabad, Chennai and Kolkata. As the bank is introducing innovative new banking models, it wants to increase its market share. It wants the consultant to study the micro market potential and suggest recommendations for improving market share in Retail and SME segment in these 5 metros. The objective is to conduct a market study of these cities followed by recommending market share improvement plans for retail and SME segments. The consultant would study the potential available in these markets and analyze the best practices and suggest focus areas for improvement in market share.

NPCI to have EMS

NPCI, while on revamping its technology infrastructure has found the need for a comprehensive enterprise level management solution (EMS). It wants such a solution that can (i) enhance the IT services to be delivered to various stakeholders by management of IT infrastructure and applications; (ii) consolidate IT event management activities into a single operations bridge that reduces duplication of effort by various teams; (iii) allows quick identification of the root causes of IT incidents; and decreases the time it takes to rectify core IT issues; and (iv) significantly reduce the amount of time spent on monitoring and managing the IT set-up. The idea is to have a consolidated view of entire IT-setup, from the business transaction and service health view to core IT infrastructure components being employed; thereby assuring IT service delivery at the service levels expected. The organization is looking for an enterprise management system software, which will discover, store and monitor the infrastructure (tapping points, network elements, storage, appliances, servers, database and applications) and their inter-relationship for comprehensive impact analysis.

Andhra Bank to have MAM solution

Andhra Bank is planning to have a cloud-based Mobile Application Management (MAM) solution on an opex model. It wants the proposed solution to be available as a cloud service. At present Bank has provided e-mail access to some of the users using Active Sync. It wants the MAM application to enable security and selected users should be able to access corporate apps securely on their mobile devices using this solution. The solution should support data centric security ensuring containerization of corporate app and segregation of data from other non-corporate apps. The data accessed through or in Corporate applications should not be sharable to other users or non-corporate apps using Bluetooth, NFC etc.

SBI to offer doorstep banking

State Bank of India is proposing to engage Doorstep Banking Agents (DSA) from among national business correspondents empaneled with the bank. The bank intends to provide financial as well as non-financial services at the doorsteps of the customers. The service would include DSAs visiting the customers' residence to provide services sought by them. The selected service provider/s will have to deploy DSAs to provide various banking related services, including financial transactions, pick-up of cash, delivery of cash, non-financial transactions, pick-up of instruments like cheque/draft, pick up of documents like life certificate etc. The service provider will also be required to take responsibility for cash management, security, insurance, cash van etc. The bank will provide the service initially at 50 centers.

UBI wants consultant for IT integration

Union Bank of India is looking to engage a service provider / IT consultant to create a strategic technology integration road map followed by implementation support to drive the IT integration program for amalgamation of Union Bank of India with Andhra Bank and Corporation Bank. The bank intends to achieve systematic synergies between customer experience, operational, business and technology model through this integration. The service provider is expected to develop, execute and oversee the IT integration activities across all business functions, internal and customer facing applications, channels and mobile applications holistically.

BoB planning Red Team exercise



Bank of Baroda is planning to conduct a Red Team Exercise in the bank to ascertain whether its systems are penetration and hacker proof. It is looking for a service provider to conduct the exercise, which the bank is undertaking in order to know various attack tactics and to defend against such attacks. Through this exercise, it needs to go through cyber security war games where the bank's internal team and Security Operation Center will act as the Blue Team and the service provider selected the role of Red Team. The Red Team's role is to highlight loopholes in security control and to improve detection, response, recovery and mitigation capabilities for the Blue Team. The Red Team exercise should cover broad activities including recognizing information security issues within the bank and identification of misconfigured and unpatched devices.

Reclaim your power in the battle against fraud

As much as 70% of reported economic crimes are committed by internal actors, making internal fraud the biggest risk:

Social engineering is one of the biggest crime threats for banks and other financial institutions. Social engineering attacks rely on human error, so they are hard to predict. Such attacks may progress in one or more steps and regularly defeat all the lower-level IT security measures. Many attacks go undetected for long periods.

Types of social engineering fraud

Invoice fraud is a common way for fraudsters to take money and it can easily go unnoticed as being fraudulent.

Business email compromise fraud involves a hoax email, which fraudulently represents a senior colleague or a customer, who issues instructions such as approving a wire payment or releasing client data.

Phishing scams account for over 90% of data breaches and are growing at more than 65% each year. Many phishing attacks target bank employees, attempting to obtain sensitive information.

SMiShing (SMS phishing) tricks a user into downloading a ‘Trojan horse’ onto a mobile device. The installed piece of malware might steal phone numbers, banking data or spread the virus to all contacts on the phone.

Identity theft & account takeover

Identity theft can take many forms, but account takeover (ATO) is the most prevalent. Fraudsters take over existing accounts to transfer funds to new destination or ‘mule’ accounts at other institutions. ATO takes many forms but the biggest surge has been in online fraud. Funds can be routed to mule accounts in real time and apps have been a catalyst to ATO attacks. Many banks have experienced a ten-fold increase in incident rates within the last year.

Internal Fraud - Enemies Within

Many financial institutions do not

realize they have an internal fraud problem because they cannot detect it. Yet it is estimated that about 5% of an organization’s revenue is lost to fraud. The prospect of financial loss can be significant, but this is far outweighed by the risk to reputation and brand. Rules-based solutions may be incapable of detecting internal fraud or can be easily circumvented. A more sophisticated approach to fraud detection is needed to deliver an integrated solution that can consolidate and analyze data in different formats from multiple sources, as internal fraud can take many forms.

General Ledger Fraud

Sadly, it is often long-term employees who most often abuse positions of trust and privileged access to bank systems and information. The typical internal fraudster has been employed for over 10 years and is familiar with the systems and their shortcomings. For example, certain insiders may have exclusive access to accounts payable or suspense accounts that are used to record loans in process or currency in transit. This can make it easy for experienced employees to move funds between accounts or issue payments to external companies, which may be bogus.

Overtime, money can be funneled from general ledger accounts to mule accounts and can easily go unnoticed for a long time. Tackling general ledger fraud requires the right mix of processes and systems. Technology can improve oversight through automated monitoring of journal entries while checking for irregularities.

A Framework for Fraud Detection

- ◆ A strong system of internal controls and auditing is critical. Distributed accountability reduces the potential for identity theft and ATO. Close monitoring is crucial to identify irregularities early and also to act as a deterrent.



- ◆ Access to customer information must also be tightly controlled. Permission should only be granted where it is necessary to perform a clearly defined job. Technology can monitor all systems logins to establish patterns and spot anomalies, such as after-hours logins.
- ◆ Cross-channel monitoring to protect multiple portfolios. This is especially important when customers hold products in different channels.
- ◆ Regular training to make staff more vigilant. Staff must be aware of their vulnerabilities, especially when they are socially engineered to divulge information or enact payments on behalf of fraudsters.

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Singapore way ahead in blockchain usage

Singapore has seen unprecedented growth of blockchain use, thanks to its government and regulators:

Singapore is ranked as the world's best place to do business. The country has seen unprecedented growth in the number of enterprises using blockchain technology and cryptocurrencies. What has contributed to this is the fact that the country has a free-market economy, it has very investor-friendly laws, there is availability of skilled staff and the connectivity is excellent.

What is most significant about Singapore's ascend to the top of the blockchain graph is its regulatory environment. The financial services regulator, the Monetary Authority of Singapore, or MAS, is highly proactive, well-informed and totally transparent in its operations. Apart, it is ready for experimentation with new technologies - especially blockchain and cryptocurrencies. The government too is highly receptive to these technologies. Singapore also encourages innovation by holding discussions on key issues by industry experts and organizes events that promote adoption of newer technologies.

A recent PwC study showed that as much as 82% of executives in Singapore firms have said their firms have taken up blockchain initiatives in one way or other, and 13% of these firms have brought the initiatives live to the market. The startups in Singapore are not just confined to cryptocurrencies, they are moving ahead in the value chain as well.

PROACTIVE POLICIES

The dominance of blockchain technology in the scheme of things in Singapore can also be attributed to the proactive policies of the government. For example, MAS has concluded an agreement with global blockchain company R3 and a consortium of financial services institutions in 2016 at the instance of the government to take up a proof-of-concept project to conduct interbank payments using blockchain technology. Now it is exploring the use of blockchain to link the National Trade Platforms to



Attendees at the Blockchain Life 2019 forum in Singapore

the trade platforms of other countries. The government through MAS has also made it clear that it will have an open mind in matters of regulating cryptocurrencies. Way back in 2014, it had declared Bitcoin as a good that can be purchased (even if it itself can purchase goods) and therefore subject to a specific tax. MAS has also clarified that while the digital tokens themselves would not be regulated, the intermediaries would fall under MAS regulations citing terrorism and money laundering. The strategy is to apply regulation around cryptocurrency, rather than the cryptocurrency itself.

MAJOR EFFORTS

Singapore is poised to become the Asian Blockchain Hub. It has 20 global financial institutions setting up innovation labs to test new ideas. One effort that has had a global impact is the launch of the world's first cross-border Blockchain For Trade, linking ASEAN and China's Digital Silk Road by Singapore-based Global eTrade Services (GeTS), which is a leading eGovernment products and services provider. Among other blockchain-based projects in the financial services industry are the trading platform replacing the existing TradeNet and TradeXchange platforms used for trading and logistics, the second phase of Project Ubin, launched by MAS in conjunction with various financial institutions and technology partners for interbank payments, which is now being used to evaluate the implications of using tokens as a virtual Singapore dollar

and KYC Blockchain, which helps various financial institutes and banks to verify their customer's identities and details in an efficient and transparent way.

TOP 7

Singapore has some 7 top blockchain projects and startups:

OpenCerts, the largest blockchain-related application which provides a platform to publish educational credentials, allowing students and employers to verify certificates.

Project Ubin focusing on exploring the use of DLT for clearing and settlement of payments and securities.

VeChain project focusing on building a trust-free and distributed business ecosystem that enables transparent information flow, efficient collaboration and high-speed value transfer.

Zilliqa, whose core feature is sharding – the division of the network into several smaller component networks capable of processing transactions in parallel.

Bluzelle a decentralized data ecosystem for individuals and businesses to have full data control and the ability to monetize their data.

Electrify allows people to trade electricity on a peer-to-peer (P2P) marketplace.

Qtum providing a standardized, stable and safe development environment for smart contracts.

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Open Banking yet to take off fully in China

While China has achieved high levels of digitization of its banking sector, open banking is still in its infancy:

Open banking' as a concept is relatively new in China, but it does not mean the country has not embraced it. In early 2012, Bank of China had initiated what is called an open platform for banking and in fact implemented such a concept, making several applications like mobile payment, investment and wealth management and cross border financial services available through some 1600 interfaces. It went ahead and created APIs to establish connections between financial services and users. While being responsive to the concept, the country was also aware of the risks involved on account of the openness.

In spite of the early start, open banking is considered in its infancy still in China and it is yet to have counter measures for risks and hurdles like differing standards, lack of mechanism for access, weak data security protection and malicious calls in the interface. It is in the process of observing how open banking in countries like the UK and Australia is evolving, especially through international collaborations for regulatory supervision and for establishing unified technologies, data standards and norms, as well as the data security protection.

BANK THAT LEADS

China's first digital bank, WeBank, promoted by Tencent, is today a true initiator of open banking in the country. At the Money 20.20 in Singapore, the bank's CIO Henry Ma showcased the future 'Open Banking' that the bank is adapting and revealed the '3O' paradigm of open banking services. While the traditional definition of open banking is that it is a platform where data, algorithms, transaction records and procedures are shared within the ecosystem to provide services to partners including customers, employees, third party developers, fintech companies and vendors, Ma maintained that it is more than API technology and is characterized by the '3O' Paradigm, namely 'Open Platform', 'Open Innovation' and 'Open Collaboration'. He told the audience that the open banking model his bank visualizes enables banks to

embed their product, risk and technology capabilities into specific industries, while in turn banks are able to approach their target customers more directly. Banks can then provide context-based financial services where customers need them most under various scenarios, while partner businesses without financial expertise and capabilities can better serve their customers. As a result, banks can reach the traditionally unbanked or underbanked long tail market and effectively promote inclusive finance.

Ma revealed that WeBank has taken measures to counter security threats that come up in the wake of the openness of the system and has initiated end-to-end cyber-risk assessment mechanisms and apply innovative technologies such as 'Open Consortium Chain' to simplify connectivity with partners, establish comprehensive business continuity plans, introduce blockchain-based distributed identity and privacy protection solution.

KEEN RESPONSE

'Open banking' has attracted tremendous attention from banks in China in 2018 and many of them have launched open banking platforms based on API technologies. Until recently, much of the growth has occurred without any mandates, API standards or regulatory protection of customer data. But this is changing, with Chinese regulators stepping in to control many of the practices that border on threat to security. The government has been proactive in this even as it does not want to slow down innovation. It has created frameworks that ensure growth and at the same time protect consumers. It is now in the process of enacting regulation that is akin to Europe's General Data Protection Regulation (GDPR) and regulation of the open banking sector is on the anvil.

Another fillip for open banking in the country is the demand from the country's ever expanding, digitally connected middle class. Most of the Chinese people do not carry cash or cards and they prefer to use mobile banking. This high digital adoption



rate is the result of Chinese consumers' willingness to share data with institutions. Research in this area has shown that unlike banking customers in many western economies, Chinese consumers are more positive and happier to share their transactional data with fintechs.

REGULATIONS YET TO COME

While Chinese regulators are yet to roll out regulations for open banking, the country's private sector is pursuing the use of open APIs on its own. Added to this is the active involvement of Chinese fintech companies. Companies like Ant Financial and Tencent leverage open APIs to allow third parties to offer services to their customers and make data more portable within their ecosystems. For example, the country's leading insurance company Ping An Insurance has introduced 'Smart Insurance Cloud', which is a platform through which Ping An offers open-source APIs to its partners. These developments are bound to motivate the regulators to frame rules governing open banking in the country.

It will be interesting to see how open banking in China will evolve. Today the country's financial services sector is at a crossroad. Regulators need to take critical decisions about how to put in place the frameworks that support open banking, ensuring that there is no demotivation for innovation and there is security of the personal data and that the systems are ever safe from infringements.

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Banking industry faces major challenges

The McKinsey Global Banking Annual Review 2019, which came out recently, cautions that banking industry is at crossroads and those wanting to survive need to take extreme remedial measures:

Banking industry today is seeing a slowing down in top-line revenues with loan growth of just 4% in 2018, which is the lowest in the past 5 years and 150 basis points below nominal GDP growth, finds McKinsey Global Banking Annual Review 2019 titled ‘The last pit stop? Time for bold late-cycle moves’.

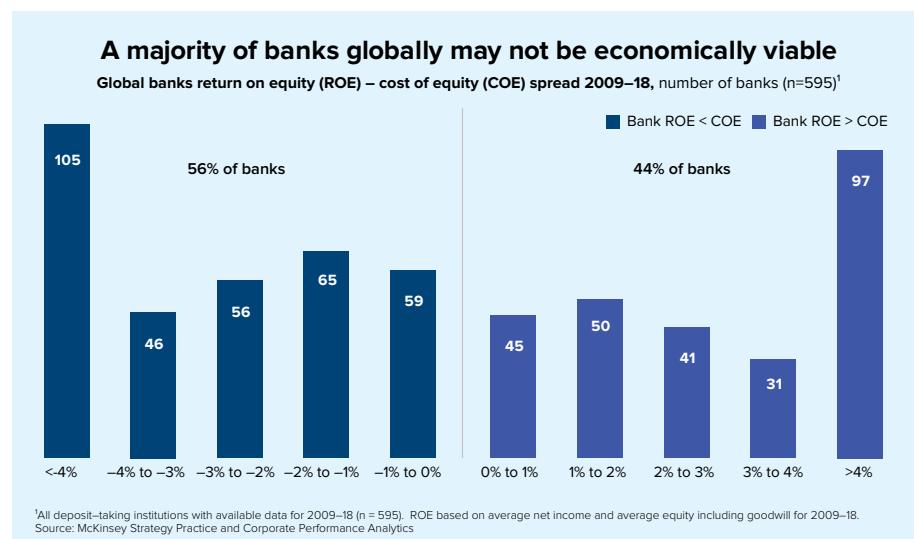
The review cautions that yield curves are flattening and though valuations fluctuate, investor confidence in banks is weakening.

It points out that global return on tangible equity (ROTE) in the case of banks has flatlined at 10.5%, despite a small rise in rates in 2018. “Emerging market banks have seen ROTEs decline steeply, from 20% in 2013 to 14.1% in 2018, due largely to digital disruption that continues unabated. Banks in developed markets have strengthened productivity and managed risk costs, lifting ROTE from 6.8% to 8.9%. But on balance, the global industry approaches the end of the cycle in less than ideal health with nearly 60% of banks printing returns below the cost of equity. A prolonged economic slowdown with low or even negative interest rates could wreak further havoc,” says the study.

TIME FOR BOLD MOVES

Joydeep Sengupta, co-author of the review and Singapore-based McKinsey senior partner says: “History tells us that 40% of the top banks today will drop to the bottom half of peers in the next cycle. So the time for bold and critical moves is now. Moves made today, be it to build scale or restructure business models, will have a defining role in combating the probability of that slide.”

Highlighting that advanced analytics and artificial intelligence are already producing new and highly effective risk tools,



the study advocates banks should adopt them and build new ones. It further adds: “On productivity, marginal cost-reduction programs have started to lose steam. The need of the hour is to industrialize tasks that don’t convey a competitive advantage and transfer them to multi-tenant utilities. Industrializing regulatory and compliance activities alone could lift ROTE by 60 to 100 bps. Finally, on generating elusive revenue growth, now is the time to pick a few areas - client segments or products - and rapidly reallocate top customer-experience talent to attack the most valuable areas of growth and take share as competitors withdraw and customer churn increases late in the cycle.

4 ARCHETYPES

The study mentions 2 vectors for every bank - the strength of its franchise and the constraints of its markets or business model. It then adds: “Using these two vectors, we’ve identified 4 archetypes that banks around the world can use to identify their starting positions and develop their late-cycle priorities.”

These 4 are:

Market leaders: 20% of banks globally capture almost 100% of the economic value added by the entire industry. These at-scale banks typically serve a large share of a geography, region, or customer segment and operate in favorable market conditions. Their clearest imperative is to reinvest capital and resources intelligently in innovation and further scale for the next cycle.

Resilients: Nearly 25% of banks have maintained leadership in challenging markets, including many in Europe. Resilients should focus on expanding beyond their direct set of customers and products through ecosystem plays and differentiating further through innovation.

Followers: About 20% of banks have not achieved scale, and are weaker than peers, despite favorable market dynamics. They are at risk from a downturn and must act promptly to build scale in their current businesses, shift business models to differentiate, and radically cut costs.

Challenged banks: About 35% of banks globally are both sub-scale and

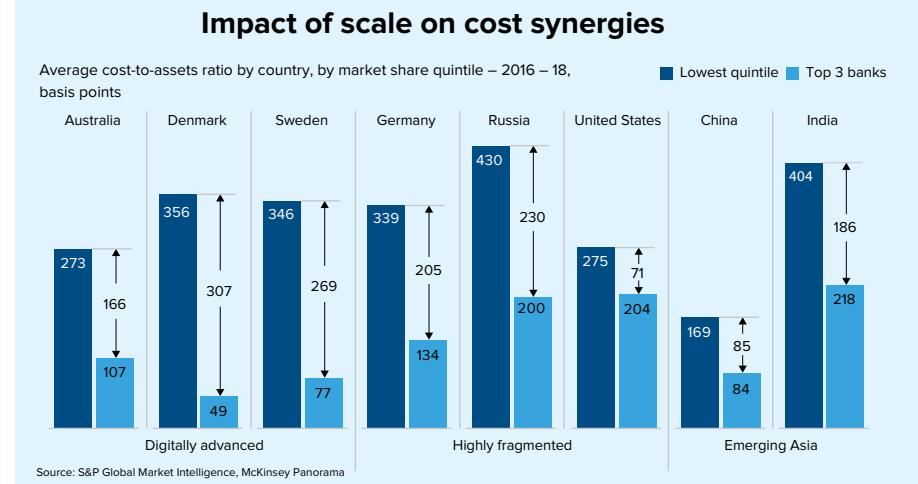
suffer from operating in unfavorable markets. Their business models are flawed, and the sense of urgency is acute. To survive a downturn, merging with similar banks or selling to a stronger buyer with a complementary footprint may be the only options if reinvention is not feasible.

ONLINE BANKING GROWTH

The study says: "Globally, online banking usage rates increased on average by 13 percentage points from 2013 to 2018, and there is room for further growth across all geographies, particularly as consumers' willingness to transact over digital channels exceeds actual digital usage by more than 30 percentage points in many markets. Consumers have become accustomed to real-time and personalized services and expect the same of digital banking solutions. While this behavior is most acutely felt in retail banking and asset management, we are starting to see the same trends emerge in corporate banking as well as in capital markets and investment banking. A classic example is a trend within transaction banking where clients increasingly demand a single window and real-time multi-currency multi-asset view of a firm's payments positions with reduced settlement times with each passing year. They also expect banking services to be increasingly linked into their internal finance and treasury functions. Within retail banking, where customer loyalty has traditionally been strong, rates of customer attrition are rising, as digital technology and changing regulations make it relatively painless for customers to change banks. For instance, churn rates for current accounts in the US have risen from 4.2% in 2013 to 5.5% in 2017 and in France they have risen from 2% in 2013 to 4.5% in 2017."

COMPETITION FROM FINTECHS

The study says the rapid disruption of Asia's banking sector is marked by a swift rise in competition from fintechs and digital platform companies contributing to a sharp deterioration of more than 600 bps in ROTE over the past 5 years. Developed market banks, wary of the Asian scenario playing out in their home markets, dream of an end to this fintech cycle, it says,



adding, however, people's perception of trust towards fintechs and tech companies continues to improve.

COST EFFICIENCY

The study devotes section to discuss the scale of impact by geography and states in-country scale is a significant factor in generating higher ROTEs, but the impact of scale varies in magnitude across geographies. To understand this variance, the study analyzed the relationship between C/A ratio and in-country market share for banks worldwide and finds that larger banks are generally more cost-efficient. Some of the examples are:

Digital advanced markets: These include markets like Australia, Sweden and Denmark, where banking is rapidly moving online and where the scale impact is pronounced. In Sweden, the top 3 banks by market share have a C/A ratio of approximately 77 basis points, while the C/A ratio of the bottom quintile exceeds 340 bps. This gap points to the increasingly transformative impact of technology on banking.

Highly fragmented markets: These include markets like Russia, Germany, and the US, where despite highly fragmented markets, there are strikingly different impacts of scale. In Russia, despite the central bank's efforts, its banking system is still highly fragmented, with more than 500 banks. At 200 bps, the average C/A ratio for the top three banks is less than a half that of the lowest quintile (430 bps). By contrast, in the US, another highly fragmented market, the gap between the bottom quartile and top three is only 71 bps.

Emerging Asian markets: In China and India, cost efficiency is associated with scale, but to a very different extent. In

China's banking sector, which is dominated by many corporate banks holding large balance sheets, the average C/A ratio for the top 3 banks by market share is 84 bps, which is half that of the average for the lowest quintile (169 bps). In India, by contrast, while some scale effect is visible, even the largest banks have a C/A ratio higher than 200 bps. Indian banks typically have a higher cost base, in part because many maintain large physical networks to serve rural customers.

M&A AN OPTION

The report states that given the competitive advantages that come with scale, many banks are finding that mergers and acquisitions - along with strategic partnerships - are an efficient way to achieve their scale ambitions or a means to completely reinvent their business models. "Indeed, the ground for mergers, acquisitions, and partnerships is fertile, as the current environment provides a favorable combination of capital, regulation, and senior-level interest. First, there is a large dispersion in valuations and capital levels across the banking system, creating an ideal environment for inorganic moves. Second, with systemic risk in banking largely mitigated through capital and liquidity build-ups since the global financial crisis, and fragmented banking sectors in many markets struggling to produce returns, regulators are more likely to be supportive of consolidation. Third, the need for large-scale investments in technological transformation, combined with weak organic growth, is pushing M&A up on the board agenda. Banks, however, should be careful as they assess these options, as very few deals have historically created value," it says.

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Karnataka Bank: A profitable transformation

Mahabaleshwara M.S., MD & CEO, Karnataka Bank, speaks about the bank's transformation at the sidelines of SIBOS 2019:

Babu Nair: Karnataka Bank has achieved phenomenal growth in last one year, that too in a scenario where the entire industry is a reeling under NPA. You manage to grow at 4.5%. So, what is the secret behind this?

Mahabaleshwara M.S.: We are committed to the core banking activities. If you look at the business that we had canvassed during the last year, growth in business turnover was around 12% and advances grew around 18%. We have been focusing more credit, and as a result our CD ratio, which was hovering at around 63% for quite some time in the past, now has reached the level of around 80%. In the advances, we have been focusing more on the retail and MSME, where the growth is up to the expected level and delinquency is also less. As we have good number of branches in the rural, semi-urban and urban areas, we thought that that is the right type of business for us. Having recorded profit of ₹4.77 bn for FY 2018-19, which is the highest net profit we have recorded. The most important thing is the quality of assets. Never in the past has our GNPA crossed 5%. Now, it stands at 4.41% and as of March 2019, our Net NPA was 2.9%. We are continuing the same trend during the current financial year also. For Q1 of the current FY, we have recorded a net profit growth of around 46% and I'm optimistic that we will be able to deliver whatever business outlook that we had given for the current year.

Is the success because of concentration on retail, MSME and less troubled sectors?

We are not overexposed to any of the problem sectors. We don't have any exposure to Jet Airways or Kingfisher. We have small exposure to the NBFCs. We are on our transformation journey with our transformation consultant BCG. This journey is already 18 months old now, and



Mahabaleshwara M.S. states Karnataka Bank is focusing more on retail and MSME where growth is up to the expected level

we have already started getting the benefits of this transformation. Our aim is to put ourselves in a more relevant and significant position among our peers. It has been a holistic effort, with technology at the center. I have used our own staff as the change agents. We have 8200+ staff they are the change agents of the transformation. What we have attempted to transformation in IT, HR, credit and all other aspects of banking. Another significant point of this is this is this has been an inclusive transformation. I myself have attended 115+ town hall meetings across India so as to reach out to my transformation change agents. With this, I have reached out to more 70% of my staff, the change is quite visible in all aspects of banking. Once this transformation initiatives are totally institutionalized, you will see the emerging of the new Karnataka

Bank, which is very vibrant and responsible and of course driven by technology.

Is your strategic goal digital or phygital?

Phygital is exactly what is required. Our liability transactions are 80% digital and the remaining 20% are physical. Now, apart from the branch, I have many digital platforms including internet banking, mobile banking, POS. On the assets side also, whatever maybe data availability and technology, we cannot have 100% of sanctions being digital. So it has to be a refined blend of physical and digital.

Anything digital comes with the risk of security and compliance, and that has been the concern with many frauds taking place.

There what happens is how well the various systems are protected. As for transaction related frauds, those things are reasonably taken care of. We have different types of firewalls, and also, our data center is not outsourced – it is managed inhouse. This is one area where continuous vigilance is required.

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Success strategies @ Karnataka Bank



**Mahabaleshwara M S
MD & CEO,
Karnataka Bank**

Summary: The secrets of the bank's successful growth and NPA management are not being over-exposed to the corporate sector and rather focusing on the retail and MSMEs in the rural and semi-urban areas.



API Security: Enabling innovation without enabling attacks, data breaches

Edited excerpts from the presentation made by Manjunath Bhat, senior director and analyst, Gartner, at the Gartner Security & Risk Management Summit 2019 in Mumbai:

Earlier, it used to be said that there is an app for anything. Now, there is an API for anything. APIs are viewed by many CEOs as the next source for revenue. Many companies have reached the limit of their revenue from current sources. APIs are fundamentally new products. Companies like PayPal, Paytm, etc, are built around APIs.

API vulnerabilities include theft of secrets, debugging, access violation, API scraping, denial of service, exploits, etc. Attacks can appear from anywhere around the globe. No matter how mature your development process, it is not feasible to protect against all attack vectors. For example, a developer can do nothing against denial of service attacks. API scraping is tracing the calls made from an end point to an API and then reverse engineer the attack.

If you are looking at 3rd party aggregators, they should not request banking credentials. Rather this should be handled by a token.

Typically, you will be exposing legacy applications. Benefits include reduced complexity. The technique is to create an API mediation layer that decouples the inner APIs from the outer APIs. This technique of loose coupling will allow you to change the inner APIs without changing the outer APIs.

Traditionally one would look at web application firewalls, or WAFs, but that is insufficient. Since data is also moving to the cloud, you are not serving the API from a single instance. So, the firewall is irrelevant. DDoS is becoming very important, which is best handled with solutions from Akamai, Cloudflare, etc.

Any investment in protection should not be with one type of attack. Rather, invest in capabilities as opposed to providers and products. There is a convergence taking place between WAF and RASP providers. A WAF is external, where as a RASP provides intrinsic protection based on what is normal and what is abnormal.

With code level protection, you are putting the protection within the application.

Bots are automated connections to APIs. In API world, it is important to protect the front end as well as the back end. If a mobile app can be reverse engineered, it can be used to create a fake app, which can call the API.

API management: discover, monitor and secure:

1. **Discover:** Inventory the APIs that have been delivered or are in the development process. APIs from 3rd parties should also be included.
2. **Monitor:** Observe your API usage. Learn what normal is for API behaviour.



Manjunath Bhat

3. **Secure:** Create a policy for API protection and access control.

A lot of the code in an organization is open source or is assembled rather than written. Include authentication as well as authorization.

To treat APIs as product, they have to be managed as products, for which an API product manager is required. Security champions should be embedded in development teams. A production manager is typically tied to functional development.

The key change is making sure that the API product manager includes security as product function. There is no instant business value in security and it cannot be monetized, but it can be a big problem.

Make sure that your API does not transmit personal identifiable information (PII) such as Aadhar number, date of birth, etc.

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AI's role in HR **JUST SHORT OF DECISION-MAKING**

AI is gaining an all-pervading role. HR functions are increasingly carried out using AI and the whole concept is getting perfected:

Until recently, the primary use of technology in HR management was to improve efficiency and derive cost savings by automating repetitive tasks. This has changed and smarter technologies are helping HR teams to solve critical business challenges, drive exponential performance improvements and even impact larger business outcomes and profitability. Here, artificial intelligence is creating a transition for HR from administrative to strategic to mission critical. It is a given fact that the next competitive frontier for businesses is employee experience and the future of HR will be centered on this aspect and personalizing engagement.

Technology has helped to provide real-time HR data available for business decisions, yet manual methods still are being used to get the insights from this data. This naturally creates a bottleneck. Here is where AI is poised to step in and extract insights from data and deliver recommendations in real time. It can also eliminate common

human biases and inconsistencies in sensitive decision-making. Decisions powered by AI have the potential to be faster at scale and more data-informed, as well as more consistent and unbiased.

AI in HR has limitless opportunities. It has proven roles in at least 5 areas: in recruitment, in HCM, in employee engagement, in employee benefits and in learning and development.

Kishore Poduri, ED & head, Human Resources, DBS Bank India, says today AI is everywhere, and HR is pretty much in the thick of things. "You name it, from chatbots, RPAs, analytics to automation, and HR services is successfully utilizing the full spectrum of available technology," says he.

RECRUITING EASIER

At DBS there are chatbots carrying out various interactions with internal as well as external stakeholders and dedicated. AI algorithms are communicating with candidates/employees and addressing their

first level queries at the time of interview or/and post joining. "Our recruiters have access to the latest tools that analyze resumes and compare them with existing employee data to identify suitable candidates who match the job description and are suitable for the organization in the long run. Automation in payroll and claims processing is already in full effect at DBS and ensures smooth processing. However, the impact of AI in this space could be taken a step further in detecting frauds in claims, maximizing utilization of benefits, and providing individuals with customized packages as per their needs," says he.

He cites the instance of cloud-based learning management systems, which use AI to make personalized courses, or certification recommendations, help employees collaborate, create communities of interest, and engage in mobile education anytime, anywhere.

He, however, is cautious: "As optimistic as I am, of the use of AI to enhance certain

experiences, I am also a firm believer in the fact that AI could never replace the human touch, which is of the essence when it comes to being an HR professional."

SANS HUMAN TOUCH

He explains: AI could never do a 'tough talk' with an underperforming employee unhappy with his or her assessment or manage the simplest case of grievances redressal between two individuals. It could never do an emotional analogy of an individual and determine whether they are in alignment with the culture of the company.

"Experiences and journeys," he says, "are of the essence to us at DBS. Our people must develop a direct connection with the ethos of the organization. This is again something we could not expect AI to replace a human being at. I do not think we are there yet where the human mind could be completely replaced by AI."

DIGITAL LABOUR

Dr Vishalli Dongrie, partner and head, People and Change, KPMG in India, believes there are considerable tasks that are repetitive, low-value in most functions including human resources and AI presents an opportunity to automate these and help free up time for more strategic work. "For a meaningful impact, the area of focus for HR today is Digital Labour," says she.

"The augmentation and automation of human labour is increasingly finding its way across HR processes (ex. recruitment, employee onboarding, performance management etc) as well with business unit employees. Most companies leveraging these technologies today are utilizing co-bots, ie. bots that work alongside humans, and HR is getting involved in training employees to work with such co-bots. The other area of focus for HR today is how to manage the digital native talent that is coming in today and how to build the right mindset to leverage their skills across the organization," says she.

According to her, activities that require human empathy, personal connect and emotions, like grievance handling, coaching, counseling which need the 'connect' and 'trust' quotient to be established will remain difficult for AI to impact.



Kishore Poduri underlines the fact that speed is crucial in HR on account of several parallel activities and automation - basically use of AI - is the solution

2-FOLD BENEFITS

Vinay Deshpande, chief people officer, Mahindra & Mahindra Financial Services, speaks about AI gaining popularity in HR for its two-fold benefits of prescriptive and predictive patterns. He says lot of HR activities involve coordination, scheduling, responding to repetitive employee queries, following up for closure etc and AI simulates human intelligence to perform such volume-based operational tasks with ease. "This gives an edge to HR with respect to speed, accuracy and volume of operational tasks to be performed. The effort invested in operational tasks can now be redirected to strategic decision-making with AI based results," says he.

Similarly, he says, AI is also leveraged for its predictive insights. "It studies the past trends and predicts the future occurrences of events. This helps in anticipating contingencies and acting proactively in the VUCA world. It can be a great tool in predicting the attrition triggers for an organization. It can study the productivity cycles of an employee to identify a pattern in the highs and lows," says he.

He, however, maintains that while AI will evolve a lot of roles in HR, it cannot replace the creativity and empathy quotient

attached to HR. "The softer aspect of HR would still require a personal intervention of Human Beings to understand various behavioral patterns of the employees. All roles which have a close connection with the psychology of human beings have to be refrained from the AI framework. Example are organizational culture, employee engagement," says he.

OBJECTIVE INSIGHTS

Like in several other domains, HR leaders can deploy AI-based solutions to find objective insights from raw data, feels Priti Singh, vice president, Human Resources, South Asia, Mastercard. For instance, she says it can help HR professionals identify the most relevant candidates out of a heap of aspirants' resumes. "This is not same as using specific pre-defined metrics to shortlist the resumes. It means making decisions that reflect human intelligence. While resume screening is just an example, such insights can be implemented in every HR function such as administration, talent management, performance reviews, learning & development and so on."

She also concurs that AI can only assist a human HR professional in making the final decision. "We will always need a human being who brings experience and cognitive abilities to make strategic decisions, she asserts.

Ajith Kumar K.K., executive vice president & CHRO, Federal Bank, maintains that AI is the inevitable next step for high-growth companies, and no one disputes its ability to drive efficiencies, scale and effectiveness. He says the topic of 'AI in Human Resources' evokes excitement and the excitement is because of the impact it can bring to the innovation landscape in HR. The coverage of impact is huge, ranging from reinventing employee experience to data driven decision making.

"For us in Federal Bank, strength of the business case, certainty of the business need, the solidity of value preposition and surety of the benefits lay the foundation of embracing technology, be it AI, RPA or ML. HR should be prudent in modelling the business need and break down the business challenge to strategic objectives to pick the right technology. I must say we have an interesting case study of AI in recruitment, christened as

Fed Recruit. With the success of Fed Recruit, we feel AI is promising in HR," he says.

He points out that the recruitment strategy at the bank follows the brand's core theme of 'digital at the fore; human at the core' by creating a robust recruitment framework that aligns culture, talent, organizational structure and processes through technology. "Our focus is beyond just providing the human touch to the candidates, but more on creating a candidate experience similar to a delightful customer experience through new technologies. Fed Recruit is designed to help talent acquisition teams reimagine people and talent processes so as to attract the best talent, build stronger teams, and enhance the candidate experience. With the help of this AI powered data-driven platform and HR analytics, every step of hiring can now be measured and tracked. The data predictive hiring technology lays the foundation of a strategic plan that helps to make reliable decisions while hiring talent," says he. And AI can certainly do some data processing and decision making faster.

BOTS ON THE JOB

Vishwesh Padmanabhan, partner and head, Digital Consulting, KPMG India, underlines the fact that any transactional activity across the entire employee lifecycle that HR as a function undertakes - be it related to recruitment, onboarding, talent management or separation - is being gradually automated and driven through bots. "Whilst it's only the tip of the entire scope of work that could be automated within HR, in the current business scenario, AI-driven transactional services seems to be gaining the maximum traction," he opines, pointing out that this includes chatbots as a tool to drive preliminary HR query resolutions mechanism for employees.

"Given the success of bots in handling basic transactional activities, more mature firms have now also started to experiment with the idea of leveraging bots/AI to drive end-to-end HR processes. Cases in point are the recruitment AI tools that keep scanning a firm's talent acquisition system for new job postings basis the job requirements, crawl through the recruitment sites to identify the most suitable candidatures and then to shortlist and interview the ones



Vishalli Dongrie emphasizes that activities that require human empathy, personal connect and emotions will remain difficult for AI to impact

shortlisted. This helps shorten screening time per candidate by approx. 60-70% and in other recruitment areas as well," he says.

He mentions that some organizations are also exploring/implementing 'humanoids' to help achieve these objectives. HR humanoids structurally represent a human and with AI they are able to formulate the basic connect and help address the simple queries (eg, employees record details, onboarding details, training details, issue raising and tracking etc) of the workforce with speed and agility.

SPEED, ACCURACY

Poduri of DBS Bank India says the bank in the last year itself beyond doubling its headcount, had increased its geographical spread and diversity count (in gender, culture, and multi-generation). In such circumstances, he says there are several instances where speed is important for the HR team.

"Payroll processing is something where speed and accuracy are important. Nothing can set an employee off more than a delayed paycheck or less salary credited to the account. The whole candidate to new joiner experience is speed-dependent, owing to the bulk of data processing and the number of people in need of attention at

the time. There is nothing worse in terms of experience for a new joiner, if they have to go through a labyrinth of tedious paperwork. In the interest of our technology center, hackathons are very effective in meeting our hiring targets. These events draw huge crowds, and the company can capitalize on the quality and quantity of hires at the same time. Speed again is crucial, and automation is the solution," he says.

Deshpande of Mahindra & Mahindra Finance emphasizes that when using AI to the company's advantage, there is need to feed the appropriate algorithm to derive the desired output. "Organizations today are identifying processes which are a low value addition but high on transaction and creating algorithms to automate these processes. This will boost the speed of execution with accuracy, and also reflect underlying faults in the process, if any. These algorithms, or 'bots' in other words, however, need to be trained by humans. For instance, the intelligence part is limited to AI's ability to match the JD and the qualifications; rest of the interview and selection process is human. So, it is a 'Robotic Process Automation,'" says he.

CLOUD VS PREMISES

What is the preference for HR professionals - cloud-based solutions or premise based solutions?

Vishwesh Padmanabhan says cloud is proving to be a platform for innovation. "Many new and innovative cloud-based solutions are being offered today and quite a few solutions are from new startups. A large part of the innovation will be seen through innovative technology platforms on the cloud and therefore, cloud-based solutions will see far more momentum," says he.

Deshpande avers both offer appealing AI Solutions. And there are startups which have mastered the capability of offering more appealing AI solutions for specific problems, and a higher degree of customization of the solutions.

He adds: "A key difference between the 2 offerings is of financial. Cloud-based solutions are treated as operational expense (OpEx) because they are rented monthly. In contrast, premise-based solutions are treated as capital expense (CapEx), because

they are purchased just once. Therefore, cloud-based solutions are preferred; since you pay for the service."

Poduri paints a scenario where everyone is putting in a lot of innovation when it comes to AI and there is cut-throat competition. And everyone is offering customization.

"There are the startups (Domino Data lab, Quid, Data Robot to name a few); then there are the big players (Google, Amazon, Microsoft, the usual). The choice comes down to business relations unless someone in the market is offering something really out of the box. Cloud is the status quo at the moment and DBS Bank has heavily invested in it. All HR processes and data have been moved to the cloud," he reveals.

Priti Singh is of the view that on-premise vs cloud is again a choice based on several factors, which could be specific to the business or the industry.

LEARNING, TRAINING

When it comes to the aspects of training, AI has a definitive role. Poduri believes Learning & Development is the space where AI can have the most profound impact. "We are looking at very exciting times, where learning experiences are getting enriched by augmented reality and virtual mentors. In the future, learning would become even more fun, compact, purposeful, relevant, all at the same time and all made possible by AI.

"At DBS Bank, we are already delivering personalized learning journeys to our employees, and I feel we have just managed to scratch the surface here. As AI algorithms become more complex, we are looking at more exhaustive content curation, refinement in the targeted skill set of individuals, more incisive analytics, and more agile practices," says he.

Vishalli Dongrie feels AI is primarily used in the area of on-job learning. For example, specialist workers, especially those working in hazardous environments (like crane operators) can be trained using a virtual setup to reduce health and safety risks. The other area, according to her, is to increase productivity and efficiency of workers on the shop floor, sales force, plant operations etc, where conventional classroom-based training models are not efficient at scale.



Vinay Deshpande avers AI is gaining popularity in HR for its two-fold benefits of prescriptive and predictive patterns

"Let's take the example of a leading streaming service platform which helps stream 'on-demand' content to the 'preference' of the user. In learning too, HR/L&D teams are now experimenting with 'real time', 'on-demand' learning, which offers customized learning to the workforce matched to career preferences, thereby helping improve the overall capability of the organization on a day to day basis," she explains further."

Deshpande points out that AI produces more reliable and insightful reports in comparison to the conventional MIS reports. "This brings more precision to the Training Need Analysis and the desired outcome of training effectiveness. AI is able to personalize the training programs based on the learning styles of the user. It can predict and show content as per the learner's consumption capacity. AI also helps in curating content from various sources and brings it on an aggregate platform thereby enriching the learner's experience," he says.

Preeti Singh too says AI is playing a crucial role in enabling personalized learning experiences for every individual. This experience can be delivered through video modules, blogs, virtual chatrooms and many other digital-first methods.

The learners can set the pace of their own learning and ensure an effective outcome, according to her.

PRECAUTIONS NEEDED

What are the pitfalls that HR should be aware of when using AI?

"From how I understand," responds Poduri, "technology is not only creating jobs, but employment is becoming a more fulfilling experience."

He then talks about a flip side: "What are the functions that are most conveniently deployed to the machine? The most mundane, everyday operations which forms the base of our vocation. For HR professionals at the onset of their careers, making recruitment calls, processing paperwork, or scanning through a pile of resumes to find the perfect fit for a job description, these are the fundamental functions which form the foundation of their career. Now with AI taking over, we are completely phasing out these basic functions and we run the risk of having a generation of unaware professions. Then again, with a plethora of possibilities, there is always the chance of redundancy creeping in. AI-generated email responses are the most relevant example. Very often these machines-generated e-mails are out of context, unnecessary, or misinformative. There has to be a line, beyond which we must trust in human discretion."

Deshpande says we should be cautious of overdependence, because "here the principle of 'Garbage in, Garbage out' is also applicable. If you have not trained the system correctly, it will not give the desired product. We should remember that AI is still at a nascent stage and it requires human monitoring."

Vishalli Dongrie believes mundane things like chat bots pose no big threat as they are mostly based on existing 'available' information. "However, in the case of enhanced AI, for eg, when we move to predictive analysis-based user interactions or information extraction, the power of AI is best leveraged when there is sufficiency of information that the system, algorithm can process," she says.

She adds that in most organizations structured HR-related data capturing are

just being introduced over the last few years. Thus, lack of accurate, enough and authentic data could lead to wrong decisions by AI and HR professionals needs to be mindful of this when creating AI-based systems.

"On top of this human psychological biases are another big pitfall we need to be cautious of while designing AI/ML systems. For example, a recruitment system by a large online major de-selected female candidates based on the data that most existing tech workers in the firm were males. Thus, it's all about how HR frames the problem, how choices are made and available data getContexts or the lack of it will simply influence what the machine needs to discover. This is a major pitfall," says she.

EMPATHY, A LETHAL WEAPON

Vishalli Dongrie also cautions that empathy is a hidden nuclear weapon that can touch millions in one go and have a far deeper impact than any AI system. This skill, she says, is already in shortage, and HR leaders now need to ensure that empathy and emotional intelligence are not being affected by AI systems and applications. She quotes research by Harvard University, which emphasized that these aspects are key predictors of success across managerial roles.

"Last but not the least, HR needs to ask the tough question and not go with the herd mentality - 'whether machines should be allowed to make decisions about the future of human beings,' she adds.

According to Priti Singh, HR roles involve interaction with human beings and AI cannot always be the perfect solution. Since AI is entirely objective in its decision making, the data involved in the decision-making needs human interference to improve decision-making capabilities. Therefore, AI needs to work in sync with human intelligence.

Ajith Kumar recalls the bank's corporate credo 'human at the core, digital at the fore' to emphasize how the combination only works effectively. "We are deeply aware of AI's potential as well as pitfalls. So, when we set out to tap into the incredible power of AI and create an HR platform with AI at its heart, we were driven by this credo, he adds.

MISSION-CRITICAL ROLE

HR professionals generally believe AI will



Vishwesh Padmanabhan speaks about how increasing use of AI in HR will create newer positions and roles in the HR department

help transform HR from an administrative role to a mission critical role. Poduri is emphatic stating with AI taking over the routine administrative stuff, it looks almost inevitable that HR functions make the shift to a mission-critical role. Job descriptions, he expects, will increasingly focus on specialization within functions. "We already have individuals in our organization who are focused on business advisory, journey thinking, employee experience and engagement, employer branding. Now, these are functions which are defining the organization of the future, and as we realize the future these functions become mission-critical."

Vishwesh Padmanabhan says HR has always been on the journey of transitioning away from an administrative role to a more strategic role, and with the advent of AI, this journey will only be expedited. "The 'new normal', says he, "encompasses constant disruption, game-changing trends and perpetual transformation in the workforce and ways of working (eg, gig economy, millennial workforce, remote working etc.) and in such an age, the role of HR has become more pivotal and critical than ever"

Ajith Kumar believes focus should be on an entity's HR strategy. "We believe that the best technology platform for

an HR function will be the one that best aligns with the HR strategy that supports business goals. Hasty decisions in the bells and whistles of technology might not help. Needs are unique to organizations and due diligence should be exercised before picking AI or any other bleeding edge technology. In recruitment we, exercised strict vigil before adopting AI. Once the mindset was created after modelling the need, it became easy for us to reach the solution," says he.

Vinay Deshpande foresees all routine tasks would be taken care of by AI and bot workers and HR will be more focused on decision-making and course correction. "HR will, additionally, have to cater to training the bots and ensuring their alignment to the HR processes. This would require the HR to upskill themselves to train the bots and ensure the usage of relevant algorithms. AI cannot take decisions for you; it can only help you make those decisions. AI will induce a paradigm shift from an administrative role to a consultative role for HR for sure," says he.

RECOMMENDATIONS FROM AI

Poduri believes there are several avenues within HR functions where AI has been implemented to monitor the recommendations and decisions emerging from AI. "Diversity in functions means that the moderation process needs to protect the essence of that function. Frequent simulation runs and provisions for a human override are some moderation techniques that I can think of. To eliminate errors in procedure, ultimate decision-making needs to be vested on humans, supported by an exhaustive feedback mechanism," says he.

Deshpande feels the recommendations and decisions have to be constantly reviewed. There has to be a pilot project, there has to be a trial of the pilot project, and there has to be an analysis on the basis of how the work is going on, he says. Beyond this, there has to be a human intervention to validate the recommendations made before it is scaled up.

"Humans also have to explore any alternate best method of performing the same task which the AI might not be programmed to consider. There will also be a cost benefit analysis attached to the

final solution that has been considered and then building a culture to embrace AI, especially in India. But that will become easier when more bot workers come into use,” he elaborates.

REVIEW MECHANISM

Vishalli Dongrie argues that there needs to be a review mechanism in the form of a steering committee with representation from HR as well as other functions, to successfully drive outcomes and review such recommendations from AI projects. Such an arrangement will allow the leadership to work together during all phases – ideation, realization and change adoption, she adds.

DBS Bank has already covered some ground in redefining job descriptions in the light of using AI for HR functions and the next step would be to push for more comprehensive specialization. Poduri is confident this would give rise to refined skillsets and the inclusion of a plethora of new avenues into the mainstream. Cultural architect, emotional analyst, policy strategist, change manager and Org Dev manager are some of the roles, where the functions are already under implementation in the bank, he reveals.

Deshpande expects the job descriptions will evolve from the current context. There will be need for more techno HR professionals, who will appreciate technology, adopt the same in the HR scenario and train the algorithms (bots) to enhance the HR processes. Someone proficient in data science, who can evaluate the quality of recommendations made by the AI tool, will be the preference, according to him.

BETTER TOOLS, MEANS

For Vishwesh Padmanabhan however, the headline requirement still remains the same and it all comes back to managing people. “What emerging technology trends will do is give HR better tools and means to manage and ‘delight’ its people. So, in essence, the role and success for HR leadership will still be defined through same metric. However, middle and junior management roles may become less transactional and more strategic and data driven – with need to enable better employee experience, engagement, enablement and education,” he elaborates.



Priti Singh insists we will always need a human being who brings experience and cognitive abilities to make strategic decisions

Preeti Singh believes that AI is impacting the job roles and expectations of the organization from the employees. Since most of the functions are now evolving and incorporating new technologies, employees need to have the ability to work with these changes, she says. “Going forward, they will be less required for iterative functions which a machine can learn and perform faster. The real jobs for HR professionals will be to add human intelligence on top of the insights generated by AI-based platforms and make the right decisions, says she.

AN INTELLIGENT ASSISTANT

One model often proposed for using AI in an organization is that it serves as an intelligent assistant to individuals. What are the pros and cons of this model?

Poduri believes this is an interesting proposition. Says he: “With virtual home assistance taking the market by storm, we are already some way out there. However, the proposition of a personal intelligence system does come with its pros and cons. The idea proposes to raise the performance standards of the whole organization, as instant, customized assistance would allow the individuals to focus on aspects of their career which are aspirational and more fulfilling to them. At the same time, there

is the stark possibility of over dependence on machine, and a cut away from human connections. We need to be very thoughtful and have a balanced approach on what and how we implement AI,” he says.

Ajith Kumar believes the benefits are numerous. It can speed up activities, it can help make faster decisions, many small aspects of the daily working life can be handled with ease and in a more organized and coordinated manner.

He points out that the Fed Recruit mobile application is integrated with NLP-based chatbot that not only turns the top-down employer-applicant monologue into a horizontal dialogue, but enhances the entire candidate experience.

“By employing NLP based chatbot solution to complement our recruitment team, we eliminated the repetitive tasks of answering phone calls. The well-optimized chatbot communicates only the essentials and does not overwhelm the candidate. The chatbot represents the organization when it is communicating with the candidate, so, from a branding point of view, it is a perfect way of employer brand building,” says he.

Deshpande reiterates that while AI will ease the process of HR execution, it will not be able to replace the Empathy, Creativity and Strategic Thinking in an organization. According to him the pros of this proposition are:

Speed: AI produces diagnostics on real time data faster than manual conventional MIS reports. It will automate all the non-value activities like coordination, scheduling, data mining, data collation etc.

Cost: AI will help streamline lot of processes, thereby keeping the HR team Lean and reducing the manpower cost.

Quality: Since the analytics is programmed, there is no scope for deviation, thus controlling any errors.

Quantity: AI can easily handle large volumes of data from various sources and derive results from it, which would be restricted in case of human driven analytics.

And the cons are:

Re-skilling and up-skilling the workforce: While AI will not cut down jobs, it will require employees to up-skill or re-skill themselves in order to adapt to the AI-based models. Someone who fails to

match pace with the evolving nature of HR will have to part ways eventually.

Soft skills: AI will not be able to replicate the same degree of empathy towards its employees as an HR person. For example, if an individual has to nudge you for a reminder, he/she will do it in a human way, keeping your mental and physical health in mind. The bot will do it in a very mechanical way. It won't consider such parallel factors.

Vishalli Dongrie believes AI can serve as intelligent assistant to individuals in the areas like sales, marketing, HR & recruitment and customer service. She says some of the most mundane office tasks like writing emails, scheduling meetings, taking notes, making travel arrangements etc can be handled by such assistants thus helping the employees save on time. This will work quite well with the more tech savvy younger generation.

"The cons," according to her, "could be 'addiction' - becoming slaves to technology and also losing out on the humane elements of the task - a complete transformation of how we think, live and feel. AI as intelligent assistant is mostly reactive in nature and not proactive. Loss of creativity of the human mind could be a major drawback for this model. The worst part is AI learns from us and hence if we embrace the wrong behaviors, then this is what AI will start believing as normal and respond in that manner."

NEWER POSITIONS

Vishwesh Padmanabhan emphasizes that increasing use of AI in HR will create newer positions and roles in the HR department. "With AI playing a bigger role in driving HR processes, HR will have more people data to analyze than ever before - which will require HR to become more analytical and build capability around creative design thinking to reshape the way employees are serviced in future. In addition, we could also see tech roles or competencies like data mining being added to the HR functions. There could be roles like chief ethical officer, a role that ensures technology is used in an ethical and humane way, and human resources tech trainer roles, etc," he says.

Poduri says with the increasing use of AI, people can develop their niche and specialized skills and with more focus on



Ajith Kumar believes the coverage of impact of AI in HR is huge, ranging from reinventing employee experience to data driven decision making

specialization, it is only a matter of time before the contributions made by individuals require the creation of new positions.

Ajith Kumar says Federal Bank has positioned AI in recruitment as an enabler, not just safeguarding rapidity, but reinventing the human intervention. "For us, the HR intervention is now required in fewer ways for the operational areas of talent acquisition and is far more imperative in the analytical and intellectual aspects. The data predictive hiring technology lays the foundation of a strategic plan that helps to make reliable decisions while hiring talent. The engagement focused talent acquisition can scale up to very large talent pools while still preserving the quality of candidate experience," he explains.

Deshpande also agrees that with the evolving role of AI in HR, there will be techno HR professionals. "You will need a special skill-set to train the AI, and to use the related applications in a manner that is productive. There will also be a need to do a Cost-Benefit Analysis (CBA), and therefore, specialists who can do that job efficiently, will be welcomed," he says.

Finally, what is their take on the most often stated fear that AI will take away jobs?

Priti Singh states it is a fact that the fear

that AI and robots will automate many jobs has been growing. She points out to studies carried out in the US, which have predicted that 40%-50% of jobs in the country could be automated in the next 20 years, and many people are worried that they could be forced into retirement. "However, the way humans work has always been changing. Ever since the First Industrial Revolution to this day, when we talk about industry 4.0, people have not lost jobs because of technology. They have instead got a higher level of functions and had to upskill accordingly," she avers.

Poduri says emphatically: "That is not in the very least true. I believe that technology is creating more fulfilling jobs for the people, where they can dive deeper into their subjects of interest. However, they must be open to change, be stoked at the opportunity to learn, unlearn and do it again."

And Vishalli Dongrie points out that we have seen this question coming up with disruptive technologies in the past as well, and this is not the first time that a new technology has impacted jobs. "This happened when electricity came in and replaced steam power, computerization came in to replace manual processes and many others. What we have learnt from similar technology changes in the past is that the initial period requires adjustment, but after that time period, technology creates new jobs and roles for employees, which are often hard to envision at the start of the journey. However, when it comes to AI integration today, the keyword is very much 'augmentation' - the idea that AI machines will help us do our jobs more efficiently, rather than replace us. A key idea is that they will take over the mundane aspects of our role, leaving us free to do what humans do best - tasks which require creativity and human-to-human interaction."

Deshpande, however, admits that some jobs will definitely be affected, especially the routine jobs, transactional jobs and jobs which are low value-based. "For example, nowadays, hardly anyone uses a physical dictionary to find the meaning of a word; instead they Google it. However, creativity is the one aspect with regards to AI that is possible, but is still restricted," he highlights.

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France, known for simple mortgage loans

France has simple mortgage loans, lower interest rates and easier terms of repayment:

In France, home loans, or hypothèque, are offered by all major banks for both residents and non-residents. Several foreign banks too are in the business. Apart from these entities, the French post office also offers mortgages with a rider that an applicant must be member of a contributory plan for a minimum of 18 months. Loans are offered in foreign currencies except in euros.

French bank Credit Agricole is the largest player in the home finance market with a 25% share of the market. BNP Paribas group bank UCB specializes in arranging mortgages for foreign buyers in collaboration with a building society named the Abbey Building Society.

France has witnessed a sort of repayment issues in the recent past and banks are making the criteria for lending to home buyers stricter these days. Some foreign banks have stricter rules than French banks in terms of employment, earning, the type of property to be bought, etc. It can be particularly difficult for a single woman to obtain a mortgage in France.

REPAYMENT MODES

In France, the repayment of home loans is through what is described as the 'capital and interest' method, which essentially is repayment through monthly instalments of capital and interest. During the loan term, the balance of capital owed reduces to nil. Some banks do offer 'interest-only' mortgages. The maximum mortgage term is 30 years, but in most cases, it will be 15-25 years. Most of the banks insist on a life assurance policy for borrower, which is assigned to the banks.

France has comparatively lower home loan interest rates. Borrowers who offer 30% or more of the purchase price, get lower interest rates as well. There are two basic methods of charging interest - fixed and variable rates, the latter including a wide range of schemes. In the fixed interest rate mortgage, the rate of interest charged remains the same throughout the term of the loan. Therefore, if general interest rates rise, the borrower is not affected, and

the amount of capital paid back in each monthly payment is not altered.

4 SCHEMES FOR BORROWERS

In variable interest rate mortgage, there are 4 general types - money market-linked interest rates, where the charge rate of interest is reviewed on each anniversary date of the loan, or sometimes every quarter, cap and collar interest rates, where the rate is reviewed on each anniversary, and again the new rate charged will be a set margin above the base rate for the money market used as a reference by the bank, capped interest rate, where the interest rate is reviewed annually, but from the outset the charge rate may not exceed a predetermined limit applicable throughout the loan term, and capped increases in monthly payments, where the interest rate is reviewed annually with the new rate being charged at a set margin above the reference rate.

CONVERSIONS

Borrowers can usually convert a variable rate mortgage to a fixed rate mortgage at any time. There is normally a redemption penalty, like 3% of the outstanding capital, for early repayment of a fixed rate mortgage, although that is not usual for variable rate mortgages.

France's laws do not allow banks to offer mortgages or other loans where repayments are more than 30% of one's net income. Joint incomes and liabilities are included when assessing a couple's borrowing limit (usually a French bank will lend to up to three joint borrowers). Also mortgages are usually limited to 70% to 80% of a property's value (although some lenders limit loans to just 50%). If a borrower fails to maintain mortgage repayments, the assigned property can be repossessed and sold at auction. However, French banks are very considerate as they agree to lower repayments when borrowers get into financial difficulties.

REMORTGAGES

If a person has spare equity in an existing



Apartments in Paris

property, he can remortgage (or take out a second mortgage) on that property instead of taking out a new mortgage for a second home. Depending on the equity in the existing property and the cost of the property, this may enable one to pay cash for a second home.

It is also possible in France to arrange post purchase finance during the first 12 months after completion of a property purchase, so the options available may be wider.

LIFETIME MORTGAGE

France has schemes in which one can release some of the equity value in the home in return for a regular income or capital sum, with the mortgage repaid following one's death through sale of the property. These are called prêt viager hypothécaire. Alternatively, the person can repay through sale of the property, if he decides to relocate.

The top organizations offering home loans in France are Credit Lyonnais, BNP Paribas, Societe Generale and CIC among national banks, Credit Agricole, Credit Mutual, Caisse d'Epargne and Banque Populaire among mutual French banks, La Poste, which is the French Post Office, Entennial, l'UCB, and Crédit Foncier, which are not deposit banks, but often offer more interesting and competitive mortgage solutions and Abbey National, Barclays, HSBC, Halifax and Royal Bank of Scotland, which are the international banks.

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Leveraging digital, enhancing phygital

Edited excerpts of interview with Jaya Janardhan, COO, Ujjivan Small Finance Bank:

Babu Nair: We have been talking about experience in the world of banking. As a micro finance company that has transformed into small finance bank, you would have seen a lot of changes taking place in business, technology and digital. Can you narrate your experience on how this journey has been?

Jaya Janardhan: We got a license for small finance bank in 2017. In 2 years, the organization has slowly transformed from being a microfinance company to a bank. What's interesting to see is how micro banking which is largely a physical activity like attending meetings, collecting money, signing off physical papers etc, has now become a paperless process. Our field officers who source business and do collection, do everything on a handheld device today, which is completely integrated with the backend. So, the moment he sources a customer and feeds in the information, it is directed to the bureau for credit information. The customer will know whether the loan has been approved or not in a matter of hours. There is also a lot of transformation which the field office has undergone – from processing physical documents to doing so using a digital device. The field staff are ground level people and not highly tech savvy. So, that's a transformation that has been possible in the last two and a half years. And this is a huge deal.

The changes that we have done as a bank like in bringing in core banking system, a CRM system capable of 360-degree customer management, the various backend systems which have been integrated to make sure that the front for the customer like the phone banking feed, the branch DP, the field personnel, are all integrated at the backend through a seamless process. The bank has made huge investments to take it to the next level of digitization and automation.

When technology comes in, security too gets into. But ultimately it is the trust that



Jaya Janardhan reveals
Utkarsh Small Finance Bank
has made huge investments to
take the bank to the next level
of digitization

**the customer has in the bank that ensures
that business grows. So how is the element
of trust of the customer gets transformed
along with this digital transformation? Do
you really see this trust as an experience
accelerator for you?**

So, when we do a transaction, we expect OTP and SMS to come within a second and then we feel that the transaction has gone through safely. The moment you don't get an SMS, there is panic. So, trust is a huge terminology and it depends on what you define as trust. The way I define trust of a customer in our bank is when I approach a bank and I want something from the bank, I am responded to and I am given that information. I then feel that I have satisfactory response. For example, if you have put an FD in a bank and you see a small difference in what you expected and what is seen in the passbook, and if you go to the branch and enquire, the branch guy explains it to you. That is when you

feel very comfortable and your trust in the bank develops. But if you are getting some kind of vague answer, then you lose faith. When it comes to the micro banking customers, or for that matter any customer of the bank, when the customer comes to you and seeks some information from you, say for a loan, the issue is how you actually mould him into your banking fold, ie how do you answer and give him what he wants. This is the first level of stickiness. Stickiness leads to trust. Then it does not matter what the world says, he will believe what you say. That maybe the reason that when payments banks went to try and use the retail channel, it did not really work. Because for the customer, it's that physical existence – the branch, the people, how they talk to you, how the person convinces you and gives you what is wanted that really matters. There is transparency. For digital customers, the fact that they are using the app is the underlying basis of trust that is there in the background. So, it all depends on the customer segment that you're working with and the way you manage to give your customers the impact they wish.

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Unified digital approach



Raj Kiran Rai
MD and CEO,
Union Bank of India

Summary: Union Bank is constantly adding features to its app including provisions for customers to apply for a loan and controlling their credit card limit and usage.



ESAF launches 'EIDA' for its CASA customers

K Paul Thomas, MD and CEO, ESAF Small Finance Bank, shares details about CASA growth and expansion plans:

ESAF Small Finance Bank, which began operations in March 2017, saw an over threefold jump in its net profit to ₹90 crore in 2018-19. The bank has recorded a whopping 234 % increase in its net profits for the FY19. High interest income and efficient non-performing asset (NPA) management contributed to the growth of the bank.

The bank has 424 banking outlets and 213 ATMs across 14 states with a client base of 3.3 million. It has a capital base of ₹8.93 billion and it employs more than 2000 people. The bank has taken special initiatives to promote CASA products.

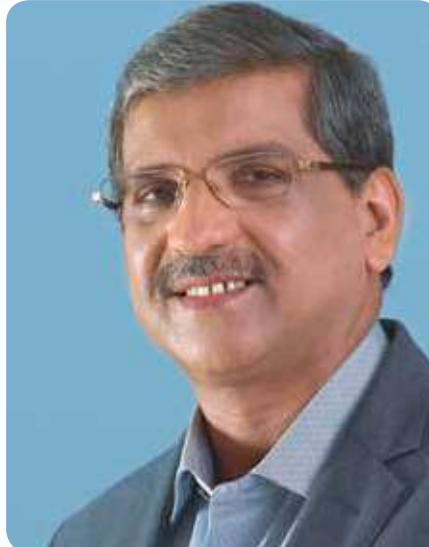
Ravi Lalwani: What is the demand for CASA products among your customers? What are the customer trends?

K. Paul Thomas: Our CASA balances are on an upward trend across various states. As a bank catering to various customer segments and with rapid branch expansion plans, we do not anticipate any decline in CASA.

Among which customer segments is your CASA growing and among which customer segments is it declining? What could be the explanations for this?

We are a relatively new bank, introducing various products and services across geographies. We are also expanding the branch network; thus, we see growth in every segment. As a bank we have given special focus to providing financial services to the unbanked and underbanked segments of the population, also the senior citizen segment. A substantial size of our liability business also comes from the age group of 20 to 40 years, all these segments are growing at a good rate.

What new features/facilities have you added for CASA customers in the last 12



K Paul Thomas

months? What new is in the pipeline?

Over the past 12 months we have integrated with BHIM/UPI for facilitating remittances within India for our customers. We have also tied up with a payment gateway to facilitate utility and other payments for CASA customers. A platinum debit card has been launched and several variants of savings accounts are planned. A savings account for farmers was launched called 'Krishak Bandhu'. We launched services to NRI segment and have tied up for inward remittance facilities with exchange houses to facilitate remittances from NRIs.

We are now in the merchant acquiring business, partnering with well-known agencies for installation of Point of Sale machines in various shops and other outlets. This will help our current account customers to accept payments by credit/debit/prepaid cards.

We have also introduced corporate internet banking facilities for our corporate and other current account segments. We were the first small finance bank in the country to install robot in a bank branch

'EIDA' is a robot which can answer customer queries and guide customers to various departments in a branch.

Our customers can also now utilise the Bharat Bill Payment System using internet banking to facilitate payment of bills without prior registration with biller.

How have you modified your CASA marketing techniques? How effective are the new techniques compared to expectations?

We have designed our CASA products as affordable to all segments of the population. As a part of our intention to provide 'Joy of banking for all', we have waived services charges or have very low service charges. At the same our balance requirements in CASA accounts are very reasonable. This has positioned us as a bank which is for all persons. At the same time, we offer competitive interest rates on our SB accounts.

We have close to 1600 employees in branches and they are our most potent marketing force as each of them meet at least 5 people every day. Our business correspondents also are active marketers for our CASA products. Both these channels continue to be very effective.

What is the impact of slowdown on your bank? What are your expansion plans for 2020?

Despite a slowdown in internal consumptions, declining investments and changing macro situations, we were able to improve upon our own benchmarks of performance.

The higher asset quality and higher interest returns contributed to the growth of bottom lines. There are growth aspirations in rural India, which are prompting us to further expand our reach especially in the unbanked sections and geographies. Our total branch network will cross 500 mark by 2020.

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Traditional marketing clinches its place in BFSI campaigns

CMOs of BFSI companies discuss the role of traditional marketing in the digital era:

A recent study by Radiocentre and Ebiquity shows that marketers are overestimating the effectiveness and value of online media compared to traditional channels like radio, TV, etc. True, one of the biggest selling points of the digital medium is its accountability. You can invest, measure and understand who exactly you reached out to. Yet, traditional media still provides better personal connect, longevity and recall.

BFSI institutions consider print, radio, TV, Out of Home, or OOH, PR and seminars as the top traditional marketing channels. They use different channels to reach different customer segments.

Anand Bhatia, CMO, Fino Payments Bank, says the bank uses print, PR and Facebook channels predominantly. "We have received good customer response from print media in states like UP, Bihar and MP. We are also using PR and Facebook. We have 3 types of customers - customers who want to open their savings accounts or a current account with us, merchants and influencers. The print medium is effective for us in engaging with the merchants and the digital medium is good to target the customers who wants to open new bank accounts."

HDFC Credila finds participating in seminars at colleges, holding loan desks and involving in international education fairs beneficial in its marketing efforts. The company is, however, more focused on digital media than traditional media for marketing and it uses radio, TV and OOH channels very sparingly.

The company has done customer segmentation based on the destination country of the students and the 3 key segments for higher education are the US, other countries abroad and India. Ajay Bohora, co-founder, MD and CEO, says the marketing efforts of the company focus on the core philosophy of adding value to the students from the time they plan their



Anand Bhatia



Prabhakar Tiwari

higher education until they join their course of choice."

TRADITIONAL TOO

Prabhakar Tiwari, CMO, Angel Broking, says while the company is a highly digital first organization, traditional channels too become part of the campaigns. "TV business news channels give us reach to multiple customer segments. We also have experimented with the print media and will test OOH and radio channels too in our future campaigns. Traditional media channels like TV and print too have given us reach and frequency."

OOH, radio and print channels are the top 3 traditional marketing channels used by Utkarsh Small Finance Bank. The bank is getting good response from radio and OOH, which help it in reaching out to the regional markets. Sachin Vasan Nair, head - Branding and Marketing at the bank, says: "We use regional content, which gives us strong connect with the customer segments. Radio helps us in creating buzz about our products and outdoor acts a reminder media and enhances brand visibility."

He adds that print media helps the bank to create awareness about the brand and banking solutions. Print campaigns creates brand awareness, which in turn helps it in building credibility required for

a growing bank. "We have used print media in while launching branches and promoting products such as savings accounts and fixed deposits. We use a good mix of digital and traditional media to ensure that our banking solution offerings are presented to wide range of audience," he adds.

NEW TRADITIONAL CHANNELS

Even in digital media there are traditional and new age channels. Facebook has now become a traditional channel, while the new age ones are Tiktok and Share Chat.

Anand Bhatia of Fino Payments Bank says traditional channels like TV and new age channels like YouTube are morphing into one. "From the last one year, we are using the print channel to acquire customers as we find that print has more longevity compared to digital channels. Twitter has longevity for 1 hour and compared to Twitter, Facebook has longevity for few more hours. We are focusing on PR too as coverage about the bank in the newspapers and magazines creates good impact. Around 15% of our total marketing budget is allocated to the traditional media," says he.

Tiwari of Angel Broking feels traditional media has its own advantages. "We have used business news channels effectively and have also experimented with the print

media. However, most of our performance marketing initiatives are digital in nature. Our annual budget for traditional media is above ₹20 million,” says he.

TRADITIONAL CAMPAIGNS

BFSI institutions use Below the Line (BTL) and Above the Line (ATL) activities to promote traditional marketing campaigns using a combination of print and digital. HDFC Credila conducts hundreds of seminars across prestigious colleges. Ajay Bohora says these efforts are more BTL than ATL. “The results of BTL activities are easier to gauge as compared to ATL. Given the niche segment that we operate in, it is more cost effective and impactful to use BTL mediums,” he says.

Utkarsh Small Finance Bank had done a 10th anniversary campaign using radio and OOH and it saw huge increase in visitors on its website and social media page in a period of 1 month. It also created substantial awareness about the bank in local areas.

Fino Payments Bank used the print medium when it launched its operations in Bengal and Assam. The campaign was targeted at merchants and availability of banking facilities in every location was the theme of the campaign. The associated merchant turns banker as he would provide micro ATMs and other banking services. Bhatia says the campaign also targeted



Sachin Vasan



Ajay Bohora

millennials, for which the bank selected newspapers that have good readership among the young generation.

Angel Broking had a unique campaign called ‘Don’t be A Chomu’ to promote a new mobile app. It showcased the frustrating experience of investing in India and the increasing sense of financial awareness. At the same time it highlighted the seamless trading experience and expert advisory service Angel Broking offers through the app. “The campaign generated good business for us, and the volume went up by 30%. We have seen 35% increase in our website traffic and there is 80% increase in our organic app download after the campaign.”

RURAL AREAS

BFSI institutions generally use traditional

media channels like regional newspapers, radio, outdoor and road shows to reach the rural customers. Bhatia flyers in newspapers can be the successful traditional media channel for Fino Payments Bank to connect with the rural customers. “We are adopting an integrated approach as the link between traditional and digital is blurring. “The same marketing message gets spread through different channels. It surrounds the customer, so the customer gets better recall and response,” says he.

Tiwari mentions that in stock broking business, most of the new customers come from tier 2 and 3 centers. “The awareness and access are the biggest challenges that we face in these centers. Our performance marketing campaigns have worked in these centers,” says he.

HDFC Credila’s strategy for the millennials

HDFC Credila has crafted a value proposition for students of each segment by educating them about various elements of higher education, connecting them with fellow students in their chosen destination country, connecting the entire ecosystem with students and creating access for students to connect with these stakeholders who add value to students during their life cycle of higher education.

The company says it focuses on building trust and respect in the student community by making credible information available to them and offering education loan services if they meet relatively stringent credit criteria of the company. It has noticed that students are searching for quality and credible information. They want to learn from fellow students, know about the trends in the sector, about their learnings while going through the process of admission etc. The company therefore curates a lot of this information in the form of videos, articles, infographics, e-books and experiences shared by students studying overseas, etc.

The company is getting outstanding response to this content, specially that which shares the experiences and guidance by other students who have gone through this process of admission and choosing the destination of study in the past.

The company uses both online and traditional platforms to engage with students - online webinars/ Facebook Live events or physical seminars or loan desks/melas. But, over a period, it says the use of digital media is growing and digital and social media platforms are the preferred medium to absorb information by the millennials.

FUTURE OF TRADITIONAL MEDIA

Bhatia insists that Fino Payments Bank will continue to adopt an omni-channel approach in its marketing campaigns. This will involve integration of print and digital. “The mediums are the pipeline, what matters is the story, proposition and objective. The medium will change based on the objective of the campaign,” he explains.

Ajay Bohora says the role of traditional media in the form of BTL engagement activities will continue as a part of the marketing mix in the future. Such a proposition gives an opportunity to engage directly, to have a personal connect with customers and partners etc. However, the percentage of spends on such mediums and the dependence on it has been reducing with more spends and focus, he adds.

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Goa leans on banks for growth and development

Banks in Goa have been performing well, reaching out to the masses and offering timely assistance:

The banking outreach in Goa can be described as excellent with total 821 branches of 37 commercial banks (650 branches), 59 branches of the state cooperative bank and 105 branches of 15 urban cooperative banks at the end of FY 2018-19. There were 298 ATMs as of 2017-18. These details are brought out in a booklet titled 'Role of NABARD in Goa 2018-19', prepared by Kamakshi Pai, GM/officer in-charge, NABARD, Panaji.

The South Goa district has over 47 banks operating through a network of 422 rural and semi urban branches. There are 33 commercial banks (with 340 branches), the state cooperative bank (31 branches) and 13 UCBs (51 branches). There are 50 PACS and 65 cooperative credit societies in the district. Goa does not have any DCCBs or RRBs. There are 53 banks operating through a network of 399 rural and semi urban branches in North Goa district.

Ulhas Phaldesai, chairman, Goa State Cooperative Bank, says the bank has 23 ATMs in the state and no ATMs were added in 2018-19. All the ATMs are in urban areas. The total customer base of the bank is 369,000.

Goa is 100% financially included. The lead bank is State Bank of India with 54 branches. India Post Payments Bank commenced its operations with a branch at Margao and 4 access points (post offices) as its outlet for delivery of financial services.

CREDIT POTENTIAL

The Potential Linked Credit Plan (PLP) prepared by NABARD for 2019-20 for South Goa projects a credit potential of ₹36.80 billion under priority sector as compared to ₹36.35 billion during 2018-19, an increase of 1%. The ground level credit in South Goa under priority sector in 2015-16, 2016-17, 2017-18 were ₹19.73 billion, ₹24.73 billion and ₹24.08 billion



Kamakshi Pai recommends that more community farming projects need to be encouraged by the government

respectively. During 2017-18, the priority sector achievement was 67%.

Kamakshi Pai says projections for crop loans (at ₹2.22 billion) account for about 43% of the total farm credit of ₹5.22 billion. The balance 57% is for term lending activities in the farm sector, which will lead to long term capital formation leading to better farm incomes on a sustainable manner and help achieve the aim to double the farmers' income by 2022, she adds.

The Area Development Schemes formulated by NABARD on commercial cashew cultivation and dairying are being implemented in 3 blocks of South Goa. Land title issue is a serious impediment for issue of crop loans by banks.

In tune with its service sector economy, the performance of MSMEs has been adequate for the last few years. Says Kamakshi Pai: "The potential under this

sector has been assessed at ₹17.92 billion (nearly 50% of the total priority sector). The other priority sector (export credit, education, housing, renewable energy and social infrastructure) projections have been pegged at ₹13.66 billion."

The thrust areas for 2019-20 would ideally be a more focused approach to group lending while also ensuring setting up of agri-enterprises leveraging on primary processing and storage facilities.

The South Goa district is well developed as far as social infrastructure is concerned. NABARD support by way of Rural Infrastructure Development Fund (RIDF) / Warehousing Infrastructure Fund (WIF) / NABARD Infrastructure Development Assistance (NIDA) can be tapped to build additional infrastructure.

The ground level credit in North Goa under priority sector in 2015-16, 2016-17, 2017-18 was ₹23.04 billion, ₹22.82 billion and ₹29.16 billion respectively. During 2017-18 the priority sector achievement was 81%. The major economic activities in North Goa district are tourism, mining, agriculture and fisheries.

The Goa government initiative for community farming is being supplemented by NABARD. Says Kamakshi Pai: "More community farming projects need to be encouraged. The state government should introduce Agricultural Land Leasing Act to enable formal leasing of land. This would help cultivators to access credit and farm related benefits and prevent misuse of benefits by owners not cultivating the land."

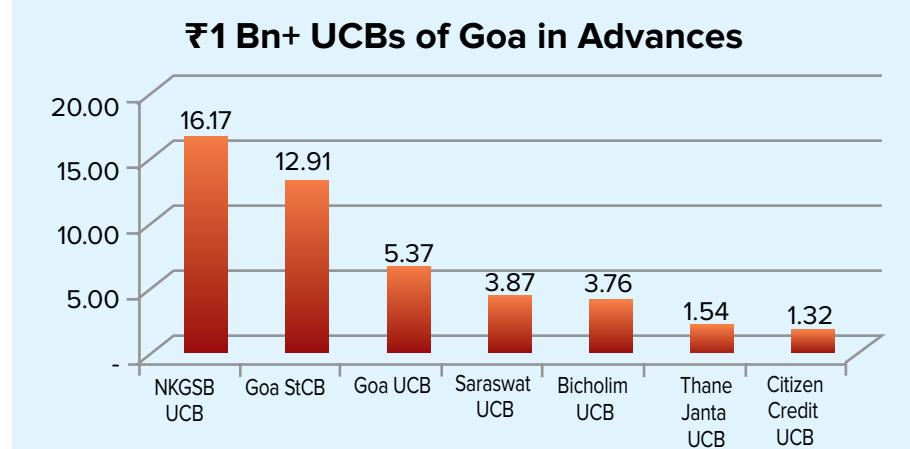
She requests the government to reform inheritance laws to resolve issues relating to title deeds. She also suggests that the state revenue department may create infrastructure for online creation of charge on land documents of borrowers. The SLBC should also monitor issuance of RuPay cards to all KCC account holders /

farmers in coordination with agriculture department as envisaged by government of India, she adds.

There is a good potential for micro irrigation projects under Jal Shakti in the state and Kamakkshi Pai says the state water resources department / agriculture department should consider popularizing micro irrigation systems among farmers, especially in command areas of irrigation projects.

LOANS FOR SHG

Kamakshi Pai has requested the Rural Development Agency (RDA) of the state government and the Goa State Rural Livelihood Mission (GSRLM) to introduce interest subvention scheme as envisaged under NRLM for helping SHGs access concessional loans in South Goa district, on the lines of North Goa which is a Women SHG district, and for issuance of chip-based cards to SHGs where details of SHG members are populated. Owing to poverty levels, the progress under the SHG-bank linkage program has been poor with only about 23% of the SHGs being credit linked in South Goa. NABARD project for



digitization of SHGs – EShakti – is under progress in the district.

LONG TERM PROJECTS

NABARD has cumulatively sanctioned ₹18.76 billion and disbursed ₹12.04 billion in Goa for 201 projects as of 2018-19. The construction of Atal Setu, a cable stayed bridge, across Mandovi river, has been sanctioned under NABARD Infrastructure Development Assistance with a loan assistance of ₹4.62 billion to Goa State Infrastructure Development Corporation.

Of this, ₹1.75 billion was disbursed during 2018-19, completing 100% finance under the project.” The long-term refinance disbursed in Goa to the banks during 2018-19 is ₹658.3 million. Kamakshi Pai says the banks which have availed this refinance include RBL Bank, IndusInd Bank, Yes Bank and Ujjivan SFB.

Various steps have been taken by the state government for creation of rural infrastructure with support of NABARD. It has requested the state government to prioritize projects for future assistance during the year and the bankers to leverage the infrastructure already created to provide finance for income generation activities. The Goa regional office had recently organized a state level workshop on Dairy Entrepreneurship Development Scheme and other government-sponsored schemes.

According to chief minister Pramod Sawant, the long pending demand of RBL for a plot of land at Patto, Panaji has finally been approved. There are 4.7 million bank accounts in the state which is almost 3 accounts per person in different banks. The state government is giving interest free loans to students and the repayment percentage is 99. The government is spending ₹500 million monthly towards the DDSSY and Grih Addhar scheme, but many a times the government is not able to release the pension on the stipulated day due to cash flow / technical issues. The chief minister has requested the banks to explore the possibility of a tie-up under which the banks will release pension on due dates and then obtain reimbursement from the government.

Biz toppers and key statistics

The SLBC records in Goa shows that SBI is topping the deposits as of June 2019, with ₹173.87 bn, followed by Bank of India ₹73.35 bn, HDFC Bank ₹70.64 bn and Bank of Baroda ₹60.46 bn. SBI leads in loans as well with ₹40.87 bn, followed by HDFC Bank ₹23.33 bn, Canara Bank ₹17.82 bn and Bank of India ₹16.54 bn.

According to G. Ravindrana, CGM, State Bank of India, some of the key areas which would help banks in achieving the targets would be agriculture, education, housing and export credit and better focus is required on improvement in CD ratio, advances to women beneficiaries and DIR advances, as also for making concerted efforts towards doubling of Farmers income by 2022. According to B. K. Mishra, regional director, RBI, there is need for improving CD ratio and performance under ACP in the state.

The total amount of deposits of all the urban cooperative banks in Goa as of June 2019, is ₹62.44 billion, which include ₹62.28 billion of domestic deposits and ₹158.5 million of NRE deposits. The total amount of advances of all the UCBs is ₹49.28 billion, with overall CD ratio of 78.93.

Phaldesai of Goa State Cooperative Bank says the total deposit of the bank for the Goa region is ₹19.08 billion. The bank has appointed a business development officer and it has been conducting financial literacy camps among the masses to create the awareness about the banking and various bank products. The total advances of the bank for Goa region is ₹13.29 billion and the advances have been mainly to sugar factories, Kamdhenu schemes and agricultural purpose. The gross NPA of the bank is 8.26% and net NPA 5.14%. “We have prepared turnaround plan up to 2021 to improve financials of the bank and so far the bank is moving and achieving in same directions,” says Phaldesai.

GTA aims for 100 good startups in Goa over 4 years

Goa Technology Association has ambitious plans and a concomitant roadmap: Goa richer by Billions of ₹ through Vibrant event

Goa Technology Association, or GTA, founded in 2017, intends to pin Goa on the national and international IT and ITES maps for the state's technology capabilities. Milind Anvekar, vice president at GTA, says GTA had presented an ecosystem study report to the state government and is working along with the government to frame an IT and startup policy for the state. The state had recently celebrated an IT Day and a Startup Day to showcase the IT companies and startups in the state. GTA had also managed to get the likes of NASSCOM and STPI to focus on Goa and jointly organize few events there.

INVESTORS FOR FINTECHS

Goa has some 150+ IT and ITES companies. There are 3 fintech companies - Minkspay, Loan Singh and Codemax - in addition to several others operating in different technology domains.

GTA has already partnered with ICICI Bank to organize an event discussing the impact of the emerging technologies in the banking sector. In 2020, it plans to host a 2-day summit on the fintech sector."

GTA was a partner for the first-ever, 3-day Vibrant Goa Expo and Summit organized by Vibrant Goa Foundation and held in Panaji in October. A number of angel investors had visited Goa during the summit and Anvekar says these include CIO Angel Network, India Angel Network, Lets Venture, Rajasthan Angels, Goa Angels, Startup Buddy, 91 Springboard, Crest Capital, KYT Ventures and Alacrity India.

PROMOTING 100 STARTUPS

Along with the Goa Business School of the Goa University, GTA curated an IT summit at Vibrant Goa Summit focusing on the IT segment. A workshop for early



Goa chief minister Pramod Sawant addressing the first ever 'Vibrant Goa' Global Summit

stage startups and potential startups discussing the various aspects of startups, was part of the summit. Anvekar says GTA believes that with eminent national and international business leaders and delegates visiting Goa for the summit, the startup and technology ecosystem has indeed benefitted. The summit also saw a workshop for HNIs on understanding how to invest in startups. A pitching session was also organized where 8 startups were shortlisted from total of 41 applications from Goa to pitch to the top investors from India.

GTA facilitated a meeting between the investors and IT minister Jennifer Monserrate to discuss on creating a local startup fund. The entire event received overwhelming response and has opened opportunities for GTA and its members to explore business in and outside Goa.

Goa's chief minister Pramod Sawant appreciated the efforts of GTA in

accelerating the growth of the IT ecosystem in the state. He assured the government's support for GTA.

Anvekar says GTA hopes to contribute 1% of the total national software export by 2025 and help build and promote at least 100 good startups in the state over the next 4 years. "We want Goa to be the next IT event destination of the world and will have next set of activities aligned towards meeting this objective," he adds.

IT PARK SOON

It is proposed that Software Technology Parks of India (STPI) will develop an IT park in Goa and set up a mentor-enabled center of excellence in emerging technologies. Dr Omkar Rai, director general, STPI, said the facility will be created at a cost of ₹400 million for promotion of IT industry, entrepreneurship and startup culture in the state. The chief minister has offered 14,000 square metre plot of land at Dona Paula for creating a facility for promoting startup and IT industry activities in the state. An MoU was signed for the proposed project which is expected to be completed in 30 months.

Says Rai: "The project, housing a state-of-the-art incubation center, plug and play facilities, data center and a center of excellence, will provide opportunities to Goan boys and girls in the field of electronics and IT. They can become entrepreneurs by developing their products as startups. It will become a research and resource center for those startups that would like to convert their ideas into prototypes. STPI will also act as a facilitator for software export in this region."

₹4.53 BN INVESTMENTS

The summit yielded investment proposals worth ₹4.53 billion as well as business inquiries worth ₹11.50 billion. The chief minister highlighted his government's

endeavor to fill the gap by creating synergies as well as synchronising the existing industries and new industries that are likely to come up in the state as a result of the event and other initiatives. The state government is working to ensure that the youth in the state deservedly get jobs in the private sector, which is currently witnessing a resurgence.

The chief minister is also aiming for a political or legal solution to the mining issue by December end. The mining industry has been a major contributor to the state's economy.

Sawant said the industry, business and trade related proposals of foreign investors, willing to invest in Goa, would be expeditiously cleared in 30 days through a single-window system under the Goa Investment Promotion and Facilitation Board. He said several countries, including the US, Australia, Oman, UAE, Kuwait, Qatar, Singapore, Russia, Bhutan, Nepal, China, Malaysia and Canada, have shown interest to invest in Goa, especially in the hospitality, IT and tourism sectors.

MEDICAL, SPORTS TOURISM

The chief minister cited finance minister



Milind Anvekar reveals that GTA hopes to contribute 1% of the total national software export by 2025

Nirmala Sitharaman's assurance that the central government is ready to help Goa in promoting innovative projects such as medical tourism, on which the state

government has been actively focusing because the hinterland areas of the state have a great potential. He said the state is ready to amend some laws, if necessary, in the next assembly session to promote to medical tourism.

Union minister for railways, commerce and industry Piyush Goyal had told the Goa leadership to engage Australia and New Zealand to bring sea sport and modern sea facilities into the state. The state should also explore the feasibility of introducing helicopter services connecting the south and north districts.

Goyal had assured the central government's assistance to create empowered infrastructure to promote tourism in the state, with special packages for new hotel infrastructure and plans to expand railway infrastructure.

FIRST-TIME EXPORTERS

Dr Jagat Shah, the chief mentor of Vibrant Goa Summit, said small scale enterprises and local companies have become first-time exporters in the state. He mentioned that a company from Oman has signed a contract worth ₹100 million, the biggest of the event, for the import of building material from a Goan businessman Arman Bankley's AR-Mine's Industries. Wooden Homes India, a South Goa-based company that can set up a one-storey house in less than 5 days, has got orders from Nepal and the US for constructing wooden homes. A Canadian building material company has also confirmed an order of ₹600,000 to a Goan company.

The Summit saw some 410 B2B meetings and 180 domestic companies were guided and prepared to deal with trade in foreign countries.

Raj Kumar Kamat, president, organizing committee, said: "The US, Australia, Oman, Kuwait and Qatar delegations have signed MoUs in diverse sectors like renewable energy, pharmaceuticals, food processing, information technology, biotechnology, real estate, construction and artificial intelligence. The event attracted about 6500 business delegates, including 530 overseas delegates."

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A cheque for ₹10 lakh being handed over to 'Fabcoders Retail Software' by Goa IT minister Jennifer Monserrate (right) and chief minister Pramod Sawant at a session on startups at the Summit

NPAs not to escalate further, private banks likely to lead going ahead

Siddharth Purohit, research analyst, Institutional Equities, SMC Global Securities, and Ravikant Bhat, research analyst, IndiaNivesh Securities, discuss the post-PSU banks merger scenario in terms of credit growth prospects of banks:

Under the mega merger scheme of PSU banks, 10 banks will be consolidated into 4 banks. But the real question that arises is, whether merging banks can solve the problem that the industry has been facing for several years. Siddharth Purohit, research analyst, Institutional Equities at SMC Global Securities, says probably the NPA issues will not improve purely due to merger but one can be assured that at least post consolidation the NPA crisis will not escalate further.

PSU banks have been losing market share to private banks and despite the government's support in the form of capital, the near term scenario remains challenging. How will the PSU banks' balance sheet look post-merger? Responds Purohit: "While the capital position of PSU banks is likely to improve post-merger and capital infusions by the government, the medium term challenges are likely to persist. I feel they are likely to underperform versus their private peers. While the slippages have been under control for PSU banks, the high exposure in telecom and NBFC sectors, which are reeling under pressure, makes me feel that the trouble is not over for the PSU banks and provisions could remain high for few more quarters."

Most private banks have taken a one-time write down on their stock of deferred tax assets during Q2FY20 and are migrating to the new marginal tax rate of 25-26% from Q3FY20. Ravikant Bhat, research analyst, IndiaNivesh Securities, feels most private banks that were paying the highest marginal tax rate are benefiting from the reduced corporate tax rate. "This shall directly boost their profitability, RoE, and in turn help sustain better core equity capital," he says.



Siddharth Purohit predicts that credit growth of the banking industry is likely to remain in 10-12% range, which is fairly decent

BEST-FIT POLICY

The government has applied its best fit analysis to ensure synergies post-

merger. Hence, one may want to believe in business as usual scenario. Bhat feels that nevertheless the merger of associate banks with the State Bank of India is an important case in point that highlights that such synergies may take longer to realize. "SBI's business momentum slowed down post-merger as the bank realized that the erstwhile associate banks needed to achieve further homogenization in credit policies with its parent to ensure uniform credit assessment. This led to a slowdown in balance sheet momentum leading to a dip in credit growth. Something similar might happen with merging banks, slowing down business momentum post merger before merger synergies kick in to improve growth rate," he adds.

CREDIT GROWTH TO BE 10-12%

Banks have started linking their lending rates to repo rates.

Few large ticket accounts are pending at NCLT for resolution and the recovery from the same would be key to the overall provisions and profitability going ahead. "Purohit is of the view that some pressure on the margin could be there, however, the impact would be limited as the deposit

PSU Banks Post Merger

Anchor bank	Amalgamating bank(s)	Business size*	PSB rank by size	CBS
Punjab National Bank	Oriental Bank of Commerce United Bank of India	17.94 lakh cr.	2nd largest	
Canara Bank	Syndicate Bank	15.20 lakh cr.	4th largest	
Union Bank of India	Andhra Bank Corporation Bank	14.59 lakh cr.	5th largest	
Indian Bank	Allahabad Bank	8.08 lakh Cr.	7th largest	

SBI Bank	Amalgamated earlier	52.05 lakh cr.		
Bank of Baroda	Amalgamated earlier	16.13 lakh cr.		

rates are also trending down. "Credit growth of the banking industry is likely to remain in 10-12% range, which is fairly decent. I feel private sector banks are well capitalized and well placed to capture the growth opportunities that lie ahead of them. Accordingly, I feel investors should stay invested in large private banks like HDFC Bank, ICICI Bank, Axis Bank and can expect handsome return over the next multiple years," says he.

There are two aspects here: a) overall economic activity driven demand for loans from corporates, and b) issues concerning the NBFCs. Much depends on how well the economy does. Explains Bhat: "As seen in the quarterly results of banks, corporate loan growth has slowed down and has caused the slowdown in headline loan growth momentum while retail loans continue to grow at a healthy, mid-teens growth rate. An improvement in economic activity can push up the credit offtake. There have been some other moving parts."

Although credit growth in H2FY19 was affected by a slowdown in lending by banks to NBFCs, it appears to have picked up in a robust manner with only select, embattled NBFCs in the housing/real estate remaining affected. Bhat says in the year since IL&FS crisis, the outstanding loans to NBFCs have increased 38.8% yoy to ₹Rs6.8 trillion as of August 2019. Within personal loans, although there has been some loss in momentum driven by a sharp slowdown in vehicle loans, from 12.7% yoy to 3.7% yoy, the headline growth remains a respectable 15.6% yoy with outstanding personal loans touching Rs23 trillion, he points out.

Notably, despite the slower growth momentum, the share of both personal loans and NBFCs in commercial bank loans has increased 133 bps / 164 bps yoy respectively to 27.3% / 7.9% respectively in August 2019. Large corporate loans increased 5.1% yoy while the medium and micro and small segments showed a negative growth rate in August 2019. Bhat believes that liquidity issues therefore appear limited to select, stressed NBFCs. The continued slowdown in corporate



Ravikant Bhat believes one unending theme for banking stocks is the asset quality issue that is also affecting the private banks now

credit offtake has resulted in the share of non-corporate loans rising, he says, adding with project capex continuing to be driven through government sector, appetite for large scale demand for term loans appears weak. Overall, H2FY20E may see some revival in loan demand towards end of year once economic revival appears firm possibly improving overall loan growth to low teens.

BANK NIFTY, BANKEX

The 'Bank Nifty' has substantially outperformed the benchmark Nifty as well as Nifty PSU Bank index. CET 1% is the core capital of the banks and is primary benchmark to measure the capital positions. Purohit explains that PSU banks' stocks have corrected in the range of 5%-35% post the announcement of the mergers. The reason is the high weightage of the private banks in the index, which are performing quite strong. The 4 large private banks - HDFC Bank, ICICI Bank, Kotak Mahindra Bank and Axis Bank - have a combined weight of 77% in the Bank Nifty and since these banks have been

reporting strong operating performance, the private banks stocks and Bank NIFTY would outperform again for next one year vis a vis the benchmark indexes and their PSU counterparts, he adds.

"Similarly the S&P BSE Bankex also has outperformed the benchmark S&P BSE Sensex and I expect the trend could continue in the coming years as well," he points out.

	29-10-18	29-10-19	% Return
NIFTY	10,251	11,627	13.4%
Bank NIFTY	24,507	29,869	21.9%
S&P BSE BANKEX	28,029	33,768	20.5%
NIFTY PSU Bank	2,778	2,307	-17.0%

Source: SMC Institutional Research

The Nifty Bank index has rallied 18.5% in the last one year while S&P BSE Bankex index has rallied 20.5% yoy over same period. Both indices containing 10 stocks are dominated by private banks with SBI and Bank of Baroda being the PSBs in Nifty Bank index and SBI being the lone public sector bank in the S&P BSE Bankex.

Bhat maintains that this explains Bankex' better performance over Nifty Bank index. "Nevertheless, with the current composition, both the bank indices appear poised to deliver steady returns over medium to long term. Clearly, one unending theme for banking stocks is the asset quality issue that is also affecting the private banks now.

More questions are now being raised over the sustainability of stable asset quality in the personal loan segment. Secondly, more private banks have reported exposure to some defaulting corporates with smaller ones like RBL Bank, being a part of Bankex and Nifty Bank indices, their earnings are getting significantly affected in FY20E.

While the bank managements have insisted these as transient issues, bank valuations shall remain affected in near term (H2FY20E-H1FY21E) by news flow on stressed corporates. Nevertheless, with the current composition and over the medium to long term, both the bank indices appear poised to deliver steady returns."

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Hospitality, IT & transport booming sectors for SME lending

NBFCs are venturing to finance MSMEs and SMEs even as banks fear to foray into this sector:

The MSME and SME sectors are regarded as engines for economic growth and for promoting equitable development. These sectors help the economy by promoting a balanced development of industries across all regions of the country.

When Indian banks faced the rising NPAs, they became reluctant to lend to MSMEs and SMEs considering the risky nature of their businesses. While banks could cope with the problem of NPAs to some extent, some NBFCs got struck with the liquidity crisis and became wary of doing business with SMEs. The new age NBFCs have taken advantage of the situation and they saw this as an opportunity to scale up their business with MSMEs and SMEs.

NBFCs in India also face the challenge of doing correct credit risk assessment of MSMEs and SMEs on account of lack of financial information, historical cash flow details etc. This has deprived many MSMEs and SMEs of institutional credit.

MANUFACTURING SECTOR

India's MSME segment is significantly contributing to the GDP and playing a vital role in employment generation. Estimates indicate that the current credit flow to this sector is approximately ₹13 trillion.

Mehernosh Tata, head - SME Lending, Edelweiss Finance, says Edelweiss recognizes the crucial role that MSMEs play and understands the importance of financing this segment and supporting its growth. "Our SME loan disbursals have been growing at a CAGR of more than 20% in the last 3 years. We have a well-diversified and balanced portfolio spread across industry sectors. Our deep understanding of customer aspirations, innovative product suite, digital adoption, singular focus on on-boarding high quality clients and due diligence in credit assessment, help us to provide the required support to the



Mehernosh Tata



Piyush Khaitan

MSMEs in their growth journey. Our aim is to provide timely credit to the micro and small enterprises in India."

Edelweiss Finance has collaborated with State Bank of India, Bank of Baroda, Punjab National Bank and Central Bank of India under a co-origination model with an aim to ensure timely disbursal of credit to MSMEs. It is the only NBFC to do so.

NeoGrowth is a leading NBFC that provides easy and quick business loans to MSMEs in the retailer segment, which are primarily service based industries. The company has seen maximum increase in disbursals in the manufacturing segment, especially to engineering and capital goods manufacturers.

The SME lending business of Capital Float, a digital finance company that provides collateral free unsecured business loans online, is not concentrated on any specific vertical. Ankit Satsangi, CRO of the company, says if there is a slowdown in an industry, the company excludes firms from that industry from its sourcing list. "We work on an exclusion basis rather than on an inclusion basis. In the manufacturing side, those engaged in electronic parts, machinery parts, etc are the ones that are bullish," he says.

Capri Global Capital is not facing any slowdown in SME business. In fact, the

company sees a huge scope to grow in this segment. It is growing at 40% every year and this is expected to continue for the next 5 years. Rajesh Sharma, MD, says the company is funded by 20 lenders, including private and public sector banks and foreign banks. It has a strong liability profile, offering small ticket size loans.

He adds: "We are serving the underserved customer – those who are not served by the formal institutions. SME lending business is only 16% of the ₹60 trillion credit demand and there is a huge gap. We are not targeting any specific sector since we are serving the underserved customers."

SERVICES SECTOR

Food & beverages, restaurants, IT, transport and logistics are the segments that most of the NBFCs receive their business from. NeoGrowth has seen a steady growth in disbursals to food and beverages, apparels and groceries segments. IT, transport and logistics and facility management services are the top 3 services sectors that Incred Finance targets. For Capital Float it is restaurants, manpower and business consultancy.

LOWEST & HIGHEST NPA

Manufacturing sector has higher NPAs compared to services sector, especially because of the recent slowdown in the



Ankit Satsangi



Rajesh Sharma



Saurabh Jhalaria

economy. Saurabh Jhalaria, head, SME Lending, Incred Finance, says in the manufacturing sector, the highest NPA is in the textiles segment, mainly because of competition from Bangladesh, China and Taiwan and also the impact of GST on the industry. The lowest NPA is seen in the chemical industry. In the service sector, the highest NPA is in the advertising sector, because this segment borrows more for working capital. The lowest NPA is in the IT industry, he says.

According to Piyush Khaitan, founder, NeoGrowth, his company has seen lowest NPAs in petrol pump segment and higher NPAs in auto dealer segment.

Capri Global Capital is serving SMEs with business turnover of ₹500,000 to ₹5 million. The company's NPAs are mainly on account of family problems and illnesses of its borrowers. It is targeting small customers who need funds to grow.

FINTECH PARTNERSHIPS

NBFCs explore new technologies depending on whether such technologies can enhance their clients' experience or help them bring about better operational efficiencies. Edelweiss has been one of the early adopters of technology in the lending space. The company believes that technology will transform MSME operations in India and provide solutions to address financing needs of this segment. Says Mehernoosh Tata: "We have been at the forefront of testing and adopting several digital initiatives, which span customer acquisition, credit decision architecture, on-boarding and customer life cycle management, helping us stay ahead of the curve, while anticipating the future needs of our MSME clients."

Capital Float is a fintech NBFC and it has banks as lending partners, contributing 35%-40% of the business. Piyush Khaitan says the company has partnerships with a number of platforms for customer origination, information, analytics, collections and risk management.

Capri Global Capital uses inhouse technology and it has migrated to the new age cloud lending platform to get mobility for the sales and production team. Piyush Khaitan says he does not feel the need to tie up with fintechs to cater its customer segment.

E-COMMERCE PARTNERS

Most of the NBFCs do not have ecommerce partnerships for SME lending. They believe that the ecommerce platform is overcrowded after the entry of banks and hence they are staying away from such partnerships.

Piyush Khaitan says at NeoGrowth the sourcing is primarily driven through a distribution network of direct selling agents. The company has also partnered with certain aggregators for customized offerings.

Capital Float has relationship with Amazon for B2B and B2C business.

NEW DATA SOURCES

NBFCs are using different data sources to get customer data like credit card swipes, GST returns, bank data, customer rating, customer lifestyle, etc. At NeoGrowth, datapoints like card swipes over PoS machines, card settlements, sales from online aggregators, etc apart from a host of other demographical, behavioural, transactional, compliance, and financial variables are used.

Capital Float is using customer GST as surrogate to customer turnover, because it

is the data which is digitally available. Ankit Satsangi says the company is also running a program in which it makes use of credit card swipes to underwrite the customer and give him loans while EMI payments are made through POS machines.

Capri Global Capital uses customer underwriting models based on the customers' business; the company representatives visit the customers at their homes to get an idea about their lifestyle. Says Rajesh Sharma: "We talk to the customer's suppliers, lenders, vendors, neighbours, shops, etc. We also check their profit and loss accounts to get an idea about their creditworthiness and intent to repay."

DIGITAL TRANSFORMATION

NBFCs have introduced different products for MSMEs and SMEs as per the target customer segments and their requirements. In the last 12 months NeoGrowth has launched Vendor Finance and Purchase Finance, which are essentially short-term working capital loans. Saurabh Jhalaria says there are products for the hospitality sector where working capital, business expansion loans are offered.

Ankit Satsangi says Capital Float is targeting B2C segment as it is less impacted by the slowdown. The company is also planning to automate its underwriting process using bank statements and GST returns.

Capri Global Capital has plans to introduce special products for women entrepreneurs. Rajesh Sharma says women entrepreneurs struggle more than male entrepreneur for funding and they are always considered to be dependent on their male partners.

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HR in Digital Age

Indian Banks Association organized a HR conclave to understand the transformations in the HR role in digital age. Excerpts from the discussions:

Dr Fareed Ahmed, Executive Director, Punjab & Sind Bank: The emergence of the technology has changed overall HR process. The integration of technology has brought positive impact on employee transparency and productivity. New financial products have introduced new risks. There is need for skill transformation and performance management to match with the latest technology. The employee understanding of the latest technology is a challenge and banks needs to find out solutions for it. The average age of our employee is 37 years. Communication plays a very important role in understanding the needs of the millennial employees.

Alok Choudhary, DMD, State Bank of India: SBI started 'Parivartan' in 2006, a 100-day program to increase communication skills of its managers. It sees the project as an extension of the previous one. We are focusing on creating transparency among the employees. We have introduced, 'Nayi Disha', an employee engagement program which aims to ensure that its 260,000 employees remain highly motivated and ready to take on future challenges. With its focus on work-life balance, the program ensures the involvement of immediate family members of the employees, allowing them to inform the bank if an employee is unable to leave home for work on time. The program was introduced when it came to the notice of the bank that the employees appeared to be low on motivation and morale and performed their duties rather mechanically. Fearing that this will affect customer service, the bank has come up with various employee-friendly measures.

Recently the bank had begun to allow its employees to select the location before transferring a couple - husband and wife who are employees of the bank. The practice of extending sick leave in case of healthcare



Fareed Ahmed



Alok Choudhary



Vinay Razdan

needs of in-laws has also been introduced. The bank has also started allowing leave to parents to help their children during exams. We have reached 93% of our employees through, Nayi Disha program.

Vinay Razdan, CHRO, HDFC Bank: There is an increase in the digital footprint in new startups like Amazon and Flipkart. But, there is still lot of paperwork involved in many other enterprises, as they still follow paper-driven processes. HDFC Bank operations are on a big scale and it has presence in deep geographies. There is need for continuous improvement in HR processes, because the processes we implement may not be regulated by the financial bodies. The level of creativity tends to be high, level of evolution on the maturity curve takes time, it takes time to start something new on the digital note. Ten years ago, banks were doing one employee survey in a year, but now such surveys and more frequent and covering different aspects.

At HDFC Bank, we have decentralised our talent acquisition and we use AI and ML based solutions. Everything which was done manually is now completed with high degrees of software support.

We have received 89-90% response from candidates who attended out our

auto calling interview process, and 60% of the interviewed candidates have answered the interview questions in the lenient way. We have created a digital landscape, where opportunities are there to reach the next level. The information and guidance to reach the next level is available in our employee app. It has all the details like what skills certificates are required to reach the next level. Banks must have comprehensive digital landscape that covers everything. Whatever transformation you are trying to bring should be sustainable as you go forward.

Rajkamal Vempati, Executive VP & Head HR, Axis Bank: At Axis Bank, we believe in 'How future HR look like?' Currently it is a boundary based. When an employee joins our bank, he or she has a choice of learning skills and career opportunities. Some of the public sector banks have done wonders in adopting the latest technology.

Our bank's focus is on 'vyapar' and 'vyavahar' for HR processes. All the managerial jobs are first put up internally for 5 days, so the internal bank employees can apply for the job. Digitization processes help the recruiter and job screening manger to get information about the person they are planning to recruit. The skill inventory



Rajkamal Vempati



Sukhjit Pasricha



Atanu Kumar Das



Vikram Tandon



Deodutta Kurane

also plays important role in selecting the required candidate for the job. The space of the branch will be the same, but we must evoke digital aspect to it. We are focusing on how to get digital in the physical world. We provide BYOD facility and our app has all the features that are required by the employees.

Sukhjit Pasricha, CHRO, Kotak Mahindra Bank: It is not about what is your digital strategy today, it is mainly about what is your strategy in the digital world. It is not about what your HR plan is. It is about your plans in the digital world. Banks are recruiting gig workers using apps, so the digital transformation has made simplification of gig economy jobs recruitment process for the banks.

Joydeep Dutta, Head - Strategic HR, Bank of Baroda: Digital is here to stay. Public sector banks are big banks, have many employees, adhere to compliances and regulations. Bank of Baroda has introduced 'Gems' program, a performance management program, empowering employees in their career growth. We schedule performance management meetings at the end of every year. We allow employees to take charge of their performance management and we are successful in it. When we work digital, it requires the role of digital evangelist to bridge between HR and IT teams. There is a need to push for the adoption of the latest technology. Our HR app provides real time information to the employees and the employees can get the relevant data from it.

Atanu Kumar Das, Executive Director, Bank of India: We are trying to change ourselves from the conventional model to a new age model. We have 5090 branches spread across the country and we are moving from the conventional ways in our HR processes. Bank employees face the challenge of knowledge gap, and we are giving emphasis on 'know your bank' aspect. If you are not doing employee engagement, then it will adversely affect the bank's performance. We require hyperactive and robust back office. The bank has started local training in each of its zonal headquarters and introduced 'Eklavya' program where we on-board newcomers who are put under the care of selected retired senior officials of our bank.

Vikram Tandon, Head - HR, HSBC: Our employees' expectations are changing fast. We are trying to deliver quick solutions and trying to reinvent our ways. HSBC has empowered teams and they have produced outstanding results quickly. We are working on developing future skills. For example, we are identifying the top 5 skills required in order to be successful in the professional life. We are trying to collaborate with others. While jobs will come and go, but what we are trying to do is how we can make our employees successful.

Abhijit Bhattacharya, Head HR - TDG, Talent Acquisition, Business HR Head - RBG, ICICI Bank: The focus will be on creating opportunities, and opportunities are the core of our HR process. There should be free flow of communication in the organization, and

the flow should not only from top to bottom but from bottom to top. There should be free flow of communication with the MD and CEO and the chairman as well.

Deodutta Kurane, Group President - Human Capital Management, Yes Bank: We are a young bank and we don't have legacy issues. This is an advantage for us. Yes Bank is focused on creating professional entrepreneurship, the employees need to have the urge to achieve dreams. We are using AI in which HR can see the CVs using machine learning algorithms. We have also deployed chatbots - talent buddy - so employees can interact with the system. The millennials want us to create a platform like Amazon and Swiggy. Our team is also working with the analytics team for the smooth functioning of the HR processes.

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Perspectives on Banking Next



Raja Debnath
Managing Partner,
Cogence Labs

Summary: Banks can enhance their customer experience levels by going beyond banking and they can transform digitally even at a micro level, enabling customers' growth.



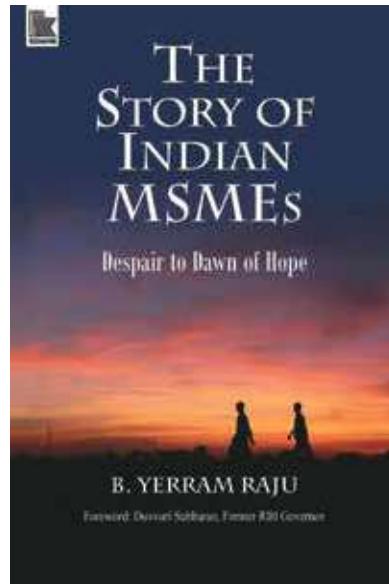
A dawn of hope for MSMEs

The Story of Indian MSMEs: Despair to Dawn of Hope is an impassionate account of the journey of the Micro, Small and Medium Enterprises (MSME) sector in India, narrated by a distinguished banker and economist, who has special interest in the sector. Dr B. Yerram Raju has been with State Bank of India and later with IDRBT and NIRD, and has decades of multi-sector experience, specifically in MSMEs and agriculture. In the book, he takes a distinct approach emphatically stating that people start enterprises and put their only dwelling house or other as collateral security, with the aim of earning profit and making a respectable living. He vividly narrates how MSMEs are defined both in India and other countries. One of his recommendations is to use the twin criteria of turnover and employment with specific thresholds for 2 reasons. First, the turnover definition enables several unorganized enterprises in the sector to come into the fold of organized. Second, it paves the way for increased direct and indirect employment opportunities.

However, MSMEs in the country are handicapped by a litany of problems - shortage of capital, red tape, bureaucracy, corruption and a lack of sympathy and understanding at the operational level. Most importantly, even while intentions are respected and promises are held out, there is no way these materializing. There is no way a small entrepreneur in distress getting any succor. While the governments at the center and the states for decades have announced a variety of policies and initiatives to promote the MSME sector, there are bottlenecks at the operationalization level and the entrepreneurs are left in the lurch.

Raju supplements his arguments with case studies that unfold best practices that MSMEs can follow and the failures from which they can learn lessons. The book offers practical solutions to many issues confronting the policy makers entrepreneurs and regulators.

Raju says in fact, post-liberalization,



sincere efforts were initiated with the help of bureaucrats to mend the laws and this resulted in the single window system for approvals in Kerala and Andhra Pradesh. Subsequently efforts were made in Andhra Pradesh to establish an Industrial Area Local Authority (IALA), which functioned on a shared revenue basis, collected local taxes and shared a certain proportion with the municipal corporations. They also maintained the infrastructure in the industrial estates. This gamut of operations led to the clean-up of the industrial corridors in former Andhra Pradesh.

The book has given more emphasis on the manufacturing micro and small enterprises and not the whole segment of MSMEs, especially their access to finance and their drivers. It also discusses the policy initiatives of both the central and state government and gives anecdotes of a few small entrepreneurs viewing failure as a stepping-stone to success. In the lifecycle of an enterprise, development and death co-exist at different times, he says, maintaining that the development process involves struggle, walking on rugged roads, and unwelcoming infrastructure in some cases.

In the foreword, D. Subbarao, former governor of the Reserve Bank of India, says Raju brings to the book decades of 'frontier' experience in his diverse roles as banker, consultant and mentor. "The book reflects that rich experience and expertise," he adds.

Former governor of the Reserve Bank of India describes the book as a distilled account of personal and professional experience of the author lasting over several decades on the complex issue of credit to micro and small enterprises. "It is a remarkable account of case studies also, giving deep insights into the practical problems and solutions. A valuable addition to the literature on the subject!", adds Dr Reddy.

The book attempts a comprehensive review of the problems and prospects of MSME sector in India and presents an objective analysis of its strengths and weaknesses, opines B.P. Acharya, special chief secretary government of Telangana, adding: "The author painstakingly takes us through the virtual minefield that an entrepreneur has to survive to stay afloat. Especially insightful are his observations on the role the Financial Institutions have to play in this process. All in all, a notable addition to the literature on the subject."

Former deputy managing director of State Bank of India Amitabha Guha also describes the book as having comprehensively covered the strategic need of the sector and the unrealized potentials it offers. Says he: "The author's mastery over the subject is a product of his formidable engagement with the policy and its implementation. This book would very well serve those who are in policy formulation, research and academics.

Raju has published 3 books and over 100 articles on the MSME sector and he says if this book especially serves as a wake-up call to some entrepreneurs, and a guide to the future of policy pursuits in this sector, it would achieve its purpose.

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Indian jewelry demand in Q3 almost a third lower yoy

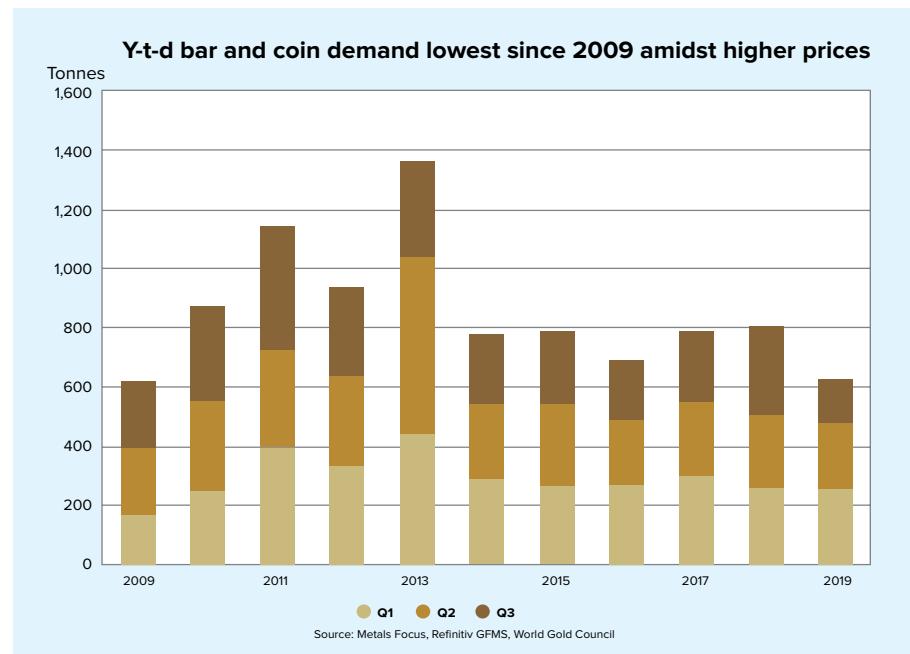
Several factors affect demand for gold in India, and globally too:

Indian jewelry demand of 101.6t in Q3, 2019 was almost a third lower yoy due to weaker consumer sentiment. Jewelry demand suffered as consumer confidence fell further over concerns around the slowing economy, according to 'Gold Demand Trends Q3 2019' report, released by World gold Council.

Several indicators – such as lower sales volumes reported by large fast-moving consumer goods (FMCG) companies and domestic car/two-wheeler sales – pointed towards a slowdown in both urban and rural demand. Weak sentiment due to a liquidity crunch, excessive monsoon rains in some states and the absence of any festivals, also influenced demand in the quarter. Economic slowdown dampened urban and rural consumer sentiment in India. The impact on demand was muted as it coincided with *pitru-paksha*, an inauspicious 16 lunar day period during which Hindus pay homage to their ancestors. The gold price breached the ₹35,000/10g level in mid-July and continued climbing to ₹38,795/10g by the end of August, before reaching an all-time high of ₹39,011/10g during the first week of September. Demand was further dented by a 2.5% rise in the custom duty to 12.5%.

Wedding-related purchases provided some support during the quarter. Wedding days in the southern states of Tamil Nadu, Kerala and Karnataka supported jewelry demand during August and September. But volumes were 15-20% lower yoy due to the higher gold price. Jewelry retailers attempted to counter this by offering promotions – such as discounts on labor charges – but with limited impact.

Jewelry demand in the world fell 16% to 460.9t in Q3, its lowest level since 2010, due to the higher price. Consumers deferred purchases due to higher prices and the subdued economic sentiment. Bright spots were few and far between, with most markets seeing significant yoy declines, particularly in Asia and the Middle East. US demand, however, continued to grow



in Q3, up y-o-y for the eleventh consecutive quarter. Weak consumer sentiment - due to continued geopolitical and economic uncertainty - coupled with substantially higher gold prices dented jewelry purchase in all major markets.

BAR, COIN DEMAND

Global bar and coin demand halved yoy, dropping to 150.3t, its lowest quarterly level since Q1 2008. The y-t-d picture is similarly bleak: cumulative demand in the first 3 quarters was at its lowest level since 2009, according to the report of the World Gold Council. European bar and coin demand fell 38.9% in Q3. Y-t-d demand was 108.5t, the lowest level since 2008. A soaring gold price across multiple currencies has prompted retail investors in many markets to either wait in anticipation of a price dip or sell a portion of their holdings to realize profits. But the weakness in demand is not just price related. Households in some major gold markets, such as China and India, have had their incomes squeezed by a combination of rising inflation and slowing economic growth. Demand in the

US was down 2.9t yoy, but there were signs of improvement. Turkey was unique in Q3 - it was the only market where retail investment grew yoy. Demand rose 45% to 6.7t.

Indian bar and coin demand slumped to its lowest level since Q1 2009. The already high gold price surged even higher in Q3 to reach ₹39,011/10g which, coupled with a faltering economy, pushed retail investment down to 22.3t, a fall of 35% yoy. Despite the rapid uptick in the gold price there was limited net selling, with dealers reporting that many investors were holding on to their bars and coins in the expectation of further price rises.

Gold demand in India faces increasingly competitive threats from other mainstream investment opportunities. Retail investors' attention has been captured by equities.

China's bar and coin demand fell 51% to 42.8t, its lowest level in three years, as the domestic gold price hit a multi-year high. Thailand, South East Asia's largest gold market, experienced a rare quarter of net disinvestment in Q3 - its first in ten years.

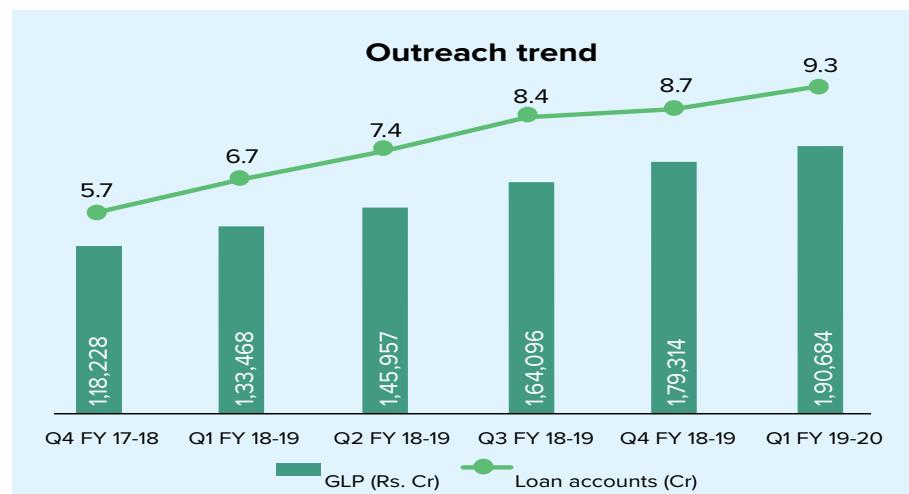
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Banks' share 40.9% of micro-credit @ ₹780 bn

The entire microfinance industry has witnessed a yoy growth of 42.9% with the total loan portfolio (GLP) at Rs1.90 trillion as on 30 June 2019, as per the 30th issue of 'Micrometer' of Microfinance Institutions Network (MFIN). The total number of microfinance loan accounts stood at 92.7 million as on Q1 FY 2019-20, as compared to 66.8 million a year ago.

Banks hold the largest share of portfolio in micro-credit with total loan outstanding of ₹780.60 billion, which is 40.9% of the total micro-credit universe. The larger share is primarily due to the merger of Bharat Financial Inclusion with IndusInd Bank.

Small Finance Banks (SFBs) have a total loan amount outstanding of ₹324.06 billion with total share of 17.0%. In Q1 2019-20, 8 SFBs were operational in 596 districts of 36 states and union territories. Over the last one year up to June 2019, the SFBs have shown a reasonable growth of around 46%



in comparison to other entity types.

As of 30 June 2019, banks had a microfinance portfolio of ₹780.60 billion, representing a growth of 74% over last one year. The average ticket size of the banks was ₹41,301 for Q1 2019-20, an increase of 16%

from Q1 2018-19. It is the highest among all entities active in this space. The average ticket size of the SFBs at ₹32,875 during Q1 2019-20 is comparable to the NBFC-MFIs and increased by 10% in comparison to the disbursements during Q1 2018-19.

44% yoy rise in GLP of 54 NBFC-MFIs: East, NE tops

NBFC-MFIs are the second largest provider of micro-credit with a loan amount outstanding of Rs576.01 billion, accounting for 30.2% to total industry portfolio. With respect to 54 NBFC-MFIs members of MFIN, the aggregate loan portfolio (GLP) of these members stands at Rs568.27 billion as on 30 June 2019. This represents a yoy growth of 44% and 4% qoq. NBFCs account for 10.8% and other MFIs accounts 1% share in the microfinance universe. Further, loan amount of Rs 161.37 billion was disbursed in Q1 FY2019-20 through 6.1 million accounts. The total loan

accounts as on 30 June 2019 stood at 32 million with a 39% yoy growth as compared to last year.

According to Harsh Shrivastava, CEO, MFIN, the increase in the loan portfolio and the loan accounts is symbolic of the enhanced needs and growing aspirations of microfinance customers across the country. The fact that this growth is balanced by an equally good portfolio quality is important as it reflects the industry's commitment to grow responsibly, he adds.

For MFIN members, Portfolio at Risk (PAR)>30 as on 30 June 2019 is 1.76%

which has come down from 2.66% in the corresponding quarter of last financial year. This indicates a good overall health of the portfolio. In terms of regional distribution of portfolios, east and north east accounts for 34% of the total NBFC-MFI portfolio, south accounts for 27%, north holds 14%, west has a share of 15% and central contributes 10%. In terms of geographic spread, 74% of the portfolio is rural and 26% is urban. Five top states in terms of loan amount outstanding are Karnataka, Tamil Nadu, Bihar, Odisha and Uttar Pradesh which account for 52% of GLP.

Portfolio of banks

Over the last 2 decades, the micro-credit sector has successfully mainstreamed itself as a key delivery channel to provide credit to low-income households. Currently a wide range of providers such as NBFC-MFIs, banks, SFBs, NBFCs and non-profit/section 8 MFIs, under different regulatory framework, provide micro-credit to over 50 million customers from low-income households.

healthiest

Among all entities, the portfolio quality of banks is the healthiest with PAR>30 of 0.59% as on 30 June 2019. The data is of 13 banks with microfinance operations spread in 623 districts of 36 states and union territories. However, this is also due to the first loss guarantees that banks have for their portfolios managed by other MFIs including NBFC-MFIs, NBFCs and BCs.

According to Manoj Nambiar,

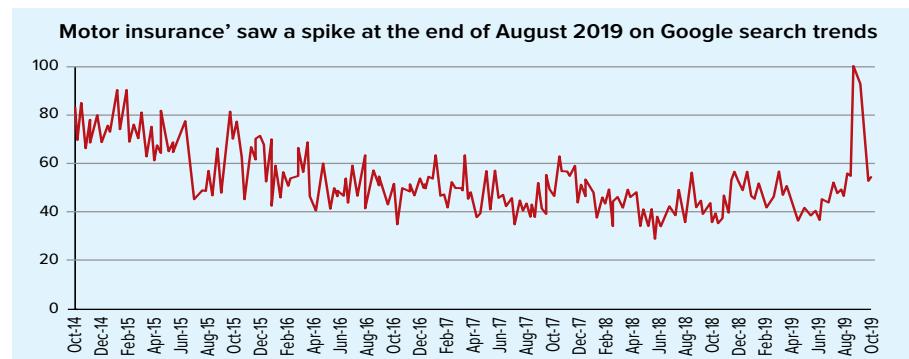
chairperson, MFIN, microfinance sector has seen a robust growth over the last few years and after the segregation of various entities in this segment, the landscape has evolved markedly. While it has added to the overall expansion of the industry, it has also presented us with a challenge where there is no uniform regulation for different regulated entities serving micro-credit clients.

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Motor TP spikes on new traffic penalties

General insurance companies reported 18% yoy growth in premium (excluding crop) in September, higher than 7-11% yoy growth over the past 3 months. Motor insurance premium growth improved to 21% yoy in September 2019 post recording a muted 1-10% yoy growth in April-August 2019. Motor TP (3d party) improved to 38% yoy (YTD growth of 16%) due to new traffic penalties. Growth in the private sector improved to 31% yoy. PSUs reported muted 7% yoy growth, positive growth for the first time YTD, according to Kotak Institutional Equities Research report.

OD (own damage) business remained weak with 7% yoy growth for private players and 21% yoy decline for PSUs, leading to a 2% decline for the industry, likely indicating weak new vehicle volumes. Motor OD premiums for BajajAllianz, ICICI Lombard and HDFC ERGO were in line with industry trends while Acko and Go Digit remained the fastest. SBI



General was up 31% yoy. Rise in penalties led to sharp increase in motor TP premium in September 2019 (up 38% yoy, up from 10-18% in the past 3 months). Growth for private players, ex Acko and Go Digit, was up 33% as compared to 4-16% yoy growth in April-August 2019. PSU players reported 22% yoy growth compared to 3% YTD decline in 5MFY20. Among large players, SBI General and HDFC ERGO surprised with 79% growth in past 5 months

and 93% yoy, respectively. Bajaj was up 53%, from 11-18% in the previous 3 months.

Google Trends suggest peaking out and that interest has moderated, implying moderation in TP premium. Motor insurance saw a spike at the end of August 2019 on Google search trends prior to declining to normalized levels in October 2019. The headroom for premium growth may be ₹100 billion, ie 26% of TP premiums or 6% of overall industry premiums.

Retail health weak; group health going strong

Growth in health premium accelerated to 21% on the back of strong traction in group health (up 1.3x yoy). Increase in tariffs in the group business attracted some private players last year, the momentum seems to be sustaining. Government schemes declined 37% yoy on a high base.

Retail health business was muted at 8% yoy (decelerating from 16% in July 2019), that too largely driven by standalone health insurers (up 23% yoy). PSU players reported a muted 6% growth while private players continued to report declines (down 18% yoy in September from 14% yoy in

August and 7% decline in July).

On overall basis, private players maintained momentum (28% yoy growth, higher than industry) while PSU players (18% yoy growth in August) ceded market share to standalone health insurers (22% growth in September).

Crop and fire remain strong

Crop retains strong momentum, with premium up 38% yoy during September 2019, versus 27% growth in YTD 2020. Most of the growth during September was delivered by PSU and private players while AIC was down 12% yoy. Bajaj Allianz, SBI General, Reliance General and HDFC Ergo delivered strong growth. ICICI Lombard continues to reduce focus in this segment, according to Kotak Institutional Equities Research report.

Premium growth in fire insurance remained strong in September 2019 at 37% yoy, although weaker than YTD 2020 run-rate of 46% yoy. Almost all players delivered strong growth. ICICI Lombard was up 42%

yoy, SBI was up 37% while Magma (down 4% yoy) and DHFL (down 81% yoy) were the only weak players. Notably, GIC has increased reinsurance rates (average rise of 2X) in eight occupancies (comprising 35% of industry volumes), which will likely drive higher volumes and profitability in FY2020E.

Private players were up 37% yoy, YTD run-rate of 21% yoy. Excluding crop insurance, private players were up 27% yoy, higher than 15-26% yoy growth observed over April-August 2019. PSU general insurers reported 35% yoy growth in September 2019 on the back of strong growth in crop insurance. 21% yoy growth in health insurance was driven by robust momentum across specialized

insurers at 22% yoy and 28% yoy growth for private players.

Among private players, Acko and Go Digit continue to grow rapidly, although on a low base. SBI General (up 88% yoy, driven by crop business) was the best performer among the bigger players. ICICI Lombard's focused segment growth remains strong even as crop business pulls down overall premium. Bajaj GI reported 1.4X yoy growth on the back of 11X yoy growth in the crop insurance business. For Chola MS, motor segment is strong, health revives; overall ex-crop steady. Strong business momentum for SBI continues, led by crop.

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Fingrowth Bank sets ambitious business growth plans

Ashok Kumar Shah, MD, Fingrowth Cooperative Bank, explains how the multi-state bank has been achieving growth over the years and how it proposes to continue:

Fingrowth Cooperative Bank is a multi-state cooperative bank having 22 branches in Rajasthan and Gujarat and 4 on-site ATMs. The bank has not added any branch in the last financial year as RBI has withheld branch licensing for cooperative banks during the last 4 years as the licensing policy for is under revision. Ashok Kumar Shah, MD of the bank, says the bank proposed to add 2 on-site ATMs and 3 branches by the end of 2019-20 subject to approval by the RBI.

The bank's branches have adequate security system and fire-fighting equipment. There is provision for safe drinking water and all the branches are air-conditioned. Explains Shah: "We have provided armed security guards at each branch and there is 24-hour security at the head office. The branches have ramps for physically challenged / disabled customers."

PRODUCTS SUITING CUSTOMERS

The bank firmly believes that only when there is satisfied customers, it can multiply its business. Therefore, improving customer service is an ongoing process.

Fingrowth Cooperative Bank is essentially an urban bank and since its branches are located in cities and towns, it does not have farmers as its customers. There are customer complaint boxes at branches and complaints received are resolved expeditiously. "We have been organizing customers' meet at least once in a year at the branch level where customers from all segments can have face-to-face interaction with the bank officials and resolve any issues within the policy framework. Moreover, mobile numbers of 2 senior officers of head office are displayed at each branch and customers are free to discuss their problems / suggestions with these officers during banking hours," says Shah.

The bank has been taking up regular market surveys to ascertain the need for new loan products in any particular segment of customers.



Ashok Kumar Shah recounts the bank has set a target of ₹1.7 billion for loans & advances and ₹4.6 billion for deposits by 2022-23

The customers of the bank as of Q2 2019-20 is around 60,000. It plans to add more depositors and borrowers to take the number to 65,000 by end of the current FY.

ZERO NPA FOR 16 YEARS

The bank has been a zero NPA bank for the last 16 years. It has framed corporate governance and regulatory compliance norms. It has a very healthy provision for NPAs of ₹97.76 million.

CASA, LOAN GROWTH

The bank has a CASA of more than 51.9% reflecting the faith of its customers. Home loans, including mortgage loans, are a key segment of its advances. The other advances include commercial loans, CC loans and mortgages. Shah updates: These 3 segments constitute 31%, 19% and 18%, says Shah.

The bank offers term loans and CC limits to MSMEs and traders, which constitute 19% of the total loan portfolio. Its total business in the second quarter of the current financial

year increased to ₹5.64 billion. Investments increased from ₹1.46 billion in 2016-17 to ₹1.68 billion in 2018-19 and ₹1.77 billion as on 30 September 2019. Shah says intra-bank deposits have increased from ₹468.1 million in 2017-18 to ₹586.6 million in 2018-19. The bank has a net worth of ₹ 813.3 million and capital of ₹ 58 million.

UPGRADED IT SERVICES

The bank has mobile banking facility and offers IMPS 24x7 in addition to other services like fund transfer through RTGS / NEFT on mobile application. It has launched a platinum variant RuPay EMV chip card with features of eCommerce accessible at more than 200,000 ATMs nationwide.

Shah says the bank plans to implement UPI and net banking for transactions shortly. It already has biometric authentication as second factor of authentication for core banking access by internal users.

VENDORS OF CBS, ATM

The bank has implemented CBS Bancs@24 on an ASP model and hence does not need a large IT team. It has a 6-member team, who are experts in software development as well as hardware maintenance. ATM cards printing is outsourced through the CBS vendor. Access to onsite ATMs is available from 7 am to 10 pm. On an average 500 transactions happen at the onsite ATMs. The bank's main IT vendor is C-Edge Technologies. AML and KYC software is provided by BSG IT Soft.

LONG TERM TARGETS

The bank has set the financial targets for 2019-20 and created a long-term prospective plan for 2021-23. Says Shah: "We have decided to keep a target of ₹1.1 billion for new loans advances and ₹4.15 billion for deposits for 2019-20. Our net NPA will continue to be zero. We have also set a target of ₹1.7 billion for loans and advances and ₹4.6 billion for deposits for 2022-23."

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Offering borrowers a seamless, frictionless experience

Veraval Mercantile Cooperative Bank has taken a conscientious approach:

Veraval Mercantile Cooperative Bank has 11 branches and a head office in Gujarat. The bank has extended its area of operation from Veraval district to entire Gujarat, with the aim of providing banking facilities to maximum people. The bank opened 3 branches - Bedi in Rajkot, Zanzarda Road in Junagadh and Dared in Jamnagar GIDC area recently.

FOCUS: CUSTOMER NEEDS

The bank's customer base increased to 97,555 at the end of the last FY. According to Atul Shah, GM of the bank, the bank has added 6295 new customers during 2018-19. The bank is aiming for 10,000 customers at the end of this financial year, he adds.

The bank has been regularly analyzing the needs of customers through market surveys. Says Shah: "We offer 30 different kinds of loans and overdraft products as well as different deposit products to cater to the needs of each and every section of the society."

The bank has appointed a 'Customer Friend' in each branch. "This has resulted in a high satisfaction level among customers, which is measured by minimum complaints from customers," says Shah.

DEPOSITS, LOANS UP

The bank's business has increased by 14.6% on a yoy basis to ₹7.97 billion as on March 2019. Says Shah: "We have garnered deposits to the tune of ₹5.32 billion as of Q2, up from ₹5.02 bn in Q1 of the current FY, registering a yoy growth of 24.1%. Similarly, we have been able to extend loans to the tune of ₹3.04 billion as of Q2, up from ₹2.73 billion in Q1 of the current FY, registering a yoy growth of 44.56%. Our deposit giving customer base has expanded to 94,695 and loan seeking customer base to 5335 at the end of first half of the current FY."

The top sectors receiving loans from the bank are services, retail and small businesses. As on 30 September 2019, the outstanding amount of service sector loans stood at ₹849.45 million, followed by retail sector loans at ₹530.38 million and small business sector loans at ₹247.10 million. The bank is expecting 20% growth in these



Atul Shah sees good prospects for loans to services, retail and small business sectors in 2019-20

sectors in 2019-20.

During 2018-19, the bank concentrated on financial inclusion of the young generation. For this, it has started accepting fees payable to reputed schools at its premises and has opened no-frills accounts for students. This has increased its business.

The bank's deposits by 14.19%, advances by 15.29% yoy. It has secured 4th position in terms of business growth during 2018-19 among all the UCBs of Saurashtra region.

NEW IT APPLICATIONS

In the last 12 months, the bank has inducted several new technologies, including an HR module, loan delivery system and locker operation card system. Besides, it has deployed 200 PoS machines at the end of last FY and introduced new delivery channels - RuPay debit cards, and IMPS. It has also improved existing services like fund transfer, eStatement and passbook printing. Shah says it is now proposing to implement a document management system and targeting to increase PoS machines up to 500.

IT BUDGET, TEAM

The bank has 3 members as part of the IT

infra team and 2 for IT applications team. It has no on-site ATMs. It has partnered with Sarvatra Technologies for ATM cards. According to Shah, nearly 5% of the income is normally provided for IT budget. If there is any special requirement, then this budget may be increased. The bank uses software provided by Saraswat Infotech for CBS, AML, CTS, MIS, loan origination, etc. It uses data center facility provided by CtrlS at Mahape, Navi Mumbai. It has its DR site at Rajkot branch and is doing data de-duplication manually.

CREDIT APPRAISAL

The bank has implemented CBS at all its 11 branches and has developed a core system integration protocol to reduce the steps and automate the lending process to offer a seamless, frictionless experience to the borrowers. It also has a centralized loan delivery system and in-house legal cell to deal with all the legal matters.

The appraisal report and ratio analysis are done by the system. The overdue and NPA statements are monitored weekly. "We maintain the demographic data of our customers so that we can do a segment-wise marketing," says Shah.

The bank accepts only those loan proposals which have justified end use and applicants with repaying capacity, after analyzing with credit agency reports, project reports and CMA data. The rejection ratio is therefore very low.

TARGETS FOR CURRENT FY

To ensure that the branches improve business, the bank has defined appropriate growth targets, identified areas of growth, created a business and profitable growth portfolio and executed the growth strategy effectively. "Our targets for the current FY include mobilizing ₹5.6 billion in total deposits and ₹3.27 billion in total advances. We aim to open 3 new branches. We are also targeting that 50% of our customers will have our RuPay debit card. We will be issuing about 5000 debit cards by the end of 2019-20," says Shah.

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Rajnish Kumar is chairman, IBA



Rajnish Kumar, chairman of the State Bank of India, has been elected as the chairman of Indian Banks Association for 2019-20. IBA said the deputy chairmen for the year 2019-20 would be G. Rajkiran Rai, MD and CEO of Union Bank of India, S.S. Mallikarjuna Rao, MD and CEO of Punjab National Bank and Madhav Kalyan, MD and CEO of JP Morgan Chase Bank. Rakesh Sharma, MD and CEO of IDBI Bank has been elected as the honorary secretary. IBA held its meeting in Mumbai where the elections took place.

Sumant Kathpalia to be IndusInd Bank's CEO

IndusInd Bank has named Sumant Kathpalia as the new MD and CEO of the bank. He will take over from Romesh Sobti upon the latter's superannuation. Kathpalia, 55, is at present the head of consumer loans at the bank. The bank said the proposal has been forwarded to the Reserve Bank of India for approval. Sobti, who has been at the helm of the bank for over a decade, will be retiring in March 2020. Kathpalia has been with the bank since 2008 and he is responsible for building the consumer loans portfolio from scratch, as part of a strategy to diversify the loan book adopted by the bank. Prior to his stint in IndusInd Bank, he was heading the consumer loans vertical at ABN Amro Bank. He has also worked in Citi and Bank of America.



T. Latha quits Dhanlaxmi Bank as MD and CEO



T. Latha, MD and CEO at Dhanlaxmi Bank, has resigned. She has cited personal reasons for the action. The bank said in a filing with the stock exchanges that Latha has submitted her resignation as MD & CEO and director of the bank on 30 October. The bank added that the resignation has been accepted by the board. She had taken over the reins of crisis-hit bank in July 2018. Her appointment was for 3 years following retirement of G Sreeram. Latha was an ED at Punjab National Bank and there were questions raised at the time of her appointment about her being issued a charge sheet in the Nirav Modi case.

Vikas Varma is new COO at Mastercard

Vikas Varma, is the new COO at Mastercard India. He has been with Mastercard since 2005 and has held various leadership roles, including overseeing business, market and merchant development, among others. In his new role, Varma will lead initiatives such as new partnerships and development of digital payments solutions in the country. These initiatives will further accelerate Mastercard's ongoing focus on technology innovation, merchant acceptance, and consumer adoption of digital payments. Before joining Mastercard, Varma has worked with major global payment brands and has held leadership positions in areas of market development and consumer cards products.



New CEO at Motilal Oswal Private Wealth Management



Motilal Oswal Private Wealth Management, the private wealth business of Motilal Oswal Financial Services, named Virendra Somwanshi as its new MD & CEO. He was earlier associated with BOB Capital Market as its head, Wealth Management and Equities. He has some 22 years of experience in financial services. At BOB Capital Market, he successfully built the industry's first scaled-up wealth management business segregating advisory and distribution in two different legal vehicles, in a short span of 2.5 years. He has also been with Citi, where he handled multiple businesses across consumer banking

Razorpay appoints 2 key executives

Payments solutions company Razorpay has appointed Amitabh Tewary and Rahul Kothari as its chief innovation officer



and chief business officer respectively. Tewary has been with Mastercard as vice president while Kothari was with PayU where he was chief business officer for enterprise payments. Tewary will be responsible for expanding Razorpay's footprint in other key markets and accelerating the adoption of new payment and banking platforms and products.

Kothari will look after growing the company globally as a full-stack B2B fintech platform by adhering to the company's vision to power the entire financial ecosystem for partner businesses.

TECHNOVITI AWARDS 2020

Banking Frontiers is pleased to announce Technoviti 2020, the most prestigious competition that recognizes innovation among IT companies that empower the BFSI sector. The Technoviti jury comprises the Who's Who among CIOs, CTOs and other CXOs of leading BFSI companies. The jury reviews all the nominations and selects the Top20 innovations.

TECHNOVITI 2020 JURY



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Kotak Mahindra Bank



Navin Surya
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Shiju Rawther
EVP Technology,
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CTO,
JM Financial



Sanjay Narkar
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Chief Business Officer,
Angel Broking



Anupam Bagchi
Head - Digital
Payments, SCB



Jitendra Agrawal
Exec VP, Business &
Service Excellence



Sourabh Chatterjee
Head Technology,
Bajaj Allianz General
Insurance



Joydeep Dutta
Group CTO, CDSL



Abhishek Pant
Founder,
Cashless Journey



Prashanthi Reddy
President - Digital
Transformations &
Fintech, Yes Bank



Sameer Ratolikar
CISO,
HDFC Bank



Sriram Naganathan
CIO, Liberty General
Insurance



Shallu Kaushik
Head - Digital,
TATA Capital



Jagdish Narayanan
CIO, Reliance Jio
Payments Bank



Biswabratna Chakraborty
CTO,
IndusInd Bank



Shiv Kumar Bhasin
COO,
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Abhijit Shah
CTO,
DCB Bank



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CTO,
ICICI Securities



Akhil Handa
Head - Fintech &
Partnerships, BoB



Milind Varerkar
GM - IT,
Sarwat Bank



Pankaj Pandey
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Life Insurance



Anup Purohit
CIO,
Yes Bank



Tata Venkat Venugopal
GM - Digital Banking,
Union Bank of India

Innovation is the most sought-after factor in any technology adoption in the BFSI sector. If your company has some remarkable innovation to offer, now is the opportunity. Follow this link for the nomination form: Visit: bit.ly/2NVN1yd

Winners during the last 5 years:

- ◆ 2 IT companies have won 4 Technoviti awards each: Infrasoft & Credentek
- ◆ 3 IT companies have won 3 Technoviti awards each: Ascent, CtrlS & IDBI Intech
- ◆ 13 IT companies have won 2 Technoviti awards each
- ◆ 55 IT companies have won 1 Technoviti award each.

Heartiest congratulations to each winner.





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