DCB BANK - Steering on right course!
Digital is the Juggernaut

The financial world has gone through a series of transformations that started with core banking technologies and continued with internet banking, mobile banking, electronic payments, etc. Then new competition emerged from outsiders that leverages disruptive technologies like mobile wallets, P2P transfers, Bitcoin, etc, that worked hand-in-hand with e-commerce, e-taxi, e-food, etc. Players like Paypal, PayTM, Airtel Money, etc, threatened the retail banking financial system and the established players responded by adopting the digital ecosystem which combines elements of customer centricity, analytics, social, mobile, eKYC, rapid innovation, etc.

Digital is the main construct of this emerging banking paradigm. However, digital is a complex mixture of numerous technologies, innovative devices, social ecosystems, cloud technologies, security measures, and of course myriad customer expectations. To truly succeed with a digital strategy in this complex environment, it is imperative that banks and financial organizations work on the fundamental constructs to get it right….or else the result will be a mis-shapen biz-tech architecture that doesn’t achieve any strategic results.

Some of the fundamental constructs of the emerging digital paradigm are:

- Transforming customer engagement with analytics
- Extending the scope from mobility to wearables
- Creating a dual speed organization
- Creating new business models
- In-sourcing best practices from other sectors
- Leveraging consumer technologies

Banking Frontiers will continue to delve into these and similar issues and bring you regular updates.
When you avail of a home loan, you are additionally benefitted by financial education which is an integral part of the scheme. That’s how Dewan Housing Finance (DHFL) has structured its home loan business. Educating the customers on financial discipline is a benefit not only for the organization but for the customer as well. The company educates the customer on each and every aspect related to his/her home loan. This helps the company in two ways – the home loan customers are made financially savvy, they develop better finance planning skills and they get into the habit of saving for crisis situations. Secondly, it helps customers not to default on repayments.

“Our delinquency rate is low,” says Harshil Mehta, CEO. “This is possible only because of the financial literacy we impart to the customers at the point of disbursing the home loan. Practically, all our home loan customers have bank accounts and as much as 84% of them pay their EMIs through ECS/post-dated cheques, as they now understand the importance of timely repayments. In case of defaults, it has been our experience that such defaults are on account of genuine reasons. In such instances, we get ourselves involved by understanding the customers’ problem and help guide them in their time of crisis. We also help by allowing them make part-payments during the period or immediately after so that his financial condition is stabilized,” he says.

Mehta says in addition, the prospective home loan applicants are also educated about the need to have accurate legal documentation like verification of title deeds, sanction of the building plan by the concerned authorities, the bona fide certificates of the builder or developer and the quality of construction. The company has in-house technical experts who verify and check all the documents before the loan is sanctioned to the customer.

“In the process,” says Mehta, “the customer accomplishes two things: one is financial literacy for planning finances, and two, ensuring that the house bought with the company’s support is devoid of any legal or financial complications which may crop up in future. Over the last 31 years, we have been providing home loans to customers in the middle and low income segments, and through my journey in the financial services business, this has helped me realize that the products and policies need to be perfectly aligned with the requirements of this segment. Our job doesn’t end when we disburse a loan; in fact this is where it begins as we will need to keep a continuous check on our customers’ repayment capabilities. We want our customers to be happy, for you know an investment in a house is more than a monetary investment; it has a major emotional quotient.”

CONSUMER EDUCATIVE SERIES
DHFL launched three infomercials as part of this initiative to educate customers on the intricacies of home loans. Basics of home loan, process of availing a home loan and AML & KYC Norms are the three infomercials. “The educative series is a step towards educating the target segment about the various benefits of a home loan and how the entire process can be made simple and convenient, thereby enabling them to take a well informed decisions on buying their dream home,” says Mehta.

FINANCIAL INCLUSION
By educating customers on the intricacies of home loans, Mehta says the company is also trying to make a contribution towards financial inclusion. This has not only made the customers financially savvy, they have been made aware of the importance of insurance. Almost all the customers have their loans insured so that in an eventuality their families do not suffer. “We also ensure that we involve the women of the household in these programs for it is these women who are more concerned
about defaults and they ensure that the EMI is paid on time,” says Mehta.

Mehta mentions that about 75% of the home loans sanctioned by the company in 2014-2015 have been disbursed to the low and middle income segments that are not in a position to provide adequate collaterals or securities. This segment includes small time traders, shop owners, auto and taxi drivers who cannot provide the documentation required which is usually the prime requirement for a housing finance company.

DHFL, which came into existence in 1984, had its initial focus on Mumbai and Western India in general, catering to the low and middle income segments of the society in the semi urban and rural areas. Says Mehta: “With a deep sense of social responsibility, we are competently placed to serve our customers. We ensure that this done through a strong pan-India distribution network of over 360 company operated locations across India and 357 locations through alliances. Additionally, we have our corporate and national offices in Mumbai and overseas representative offices in London and Dubai. Today, we have customers spread across tier II, III & IV cities and towns with an average ticket size below ₹15 lakh.”

PRIME FOCUS
“The suburbs of the metros are our primary market even today in spite of our countrywide presence,” says he. “But, we have expanded in a big way to the tier II, III and IV cities and towns through our hub and spoke operating model. We have encouraged millions of customers to fulfill their ambition of having a home of their own by simplifying financial access and providing them with the privilege of home loan products, insurance services and unique fixed deposit schemes tailor made to suit their needs.”

Apart from housing finance, DHFL launched its SME finance business in December 2014. In just one year, the SME lending business has grown to over ₹1100 crore. The company expects ₹5000 crore business from the new segment in the next three years by penetrating into the tier II and tier III markets. The segment has a customer base of nearly 1,200 companies. These are typically small manufacturing companies, which are into fabrication, printing, auto spare part making etc. The company provides term loans against property for plant and machinery, medical equipment and for improving business. Loans up to ₹20 crore are offered with flexible tenure ranging up to 15 years. The company focuses on educational institutions, medical laboratories, technology companies, equipment design centers and similar businesses for this business.

Mehta talks about DHFL’s recently also launched ‘Wealth2Health’ a deposit product. “Wealth2Health deposits allow individual customers to use their fixed deposits to pay for any healthcare expenses. There is also a condition for the person to repay the money so that the amount in the FD is maintained. By doing this the customer gets to keep his FD, earn the interest and still meet their expense,” explains Mehta.

He also mentions that DHFL has also been the first housing finance company to have entered into home loan syndication agreements with banks - Dhanlaxmi Bank, United Bank of India, Central Bank of India and YES Bank.

HOUSING FOR ALL
With the government emphasizing on the policy of housing for all by 2022, what are the prospects for housing finance companies in general and DHFL in particular?

“I am of the view that most of the activity as a result of this government initiative will be focused on the tier II, III, IV cities and towns. This is a positive step as DHFL since inception has focused on these markets. There is a substantial demand-supply mismatch already and this is going to widen further. We see a lot of scope and expect a quantum jump in credit requirements. Such funds would be needed not only by individual home buyers but by real estate developers and construction firms as well. I also perceive a lot of public private partnership in the housing industry. Such an effort will ensure that the policy of housing for all by 2020 can become a reality,” says Mehta.

GENNEXT
What is his experience with the GenNext as customers? Has the company tweaked its business plans to target this segment?

“I believe that more employment opportunities should be created in the tier II, III and IV cities and towns. This is the genuine need of the hour to tap the

Shah Rukh Khan is the brand ambassador of the company
talent pool that GenNext is. Not only more educational institutions should be opened in these cities and towns but businesses should move too. If employment opportunities are available in these towns, it will naturally support the local economy to grow," says he.

Off the field, the company is working on building talent, as it believes that people play a very critical role in its business. “Hence in order to develop talent internally and externally, we have a tripartite agreement with NIIT IFBI and NIIT University to offer a one-year post-graduate program in financial services. The first batch of a minimum of 50 qualified housing finance professionals trained in sales, operations and credit functions would be absorbed by DHFL branches post successful completion of the one-year program. The post-graduate course will comprise a 9-month residential program at the NIIT University campus, followed by 3 months of internship at a DHFL branch/office. Upon successful completion of the program, the students will be awarded a certificate by NIIT University and will be absorbed by DHFL as employees designated as a management trainee,” explains Mehta.

What about the technology platform of the company and the use of social media in reaching out to prospective customers and in understanding the customer needs?

“As a company, we extensively make use of the digital channels. We have an effective technology platform in place so that we can effortlessly cater to the needs of the customers in the tier II, III and IV cities and towns. It is a customized, in-house built platform, which enables our staff to interact with our customers in the remotest corners online. The system helps to cut down our TAT considerably and as part of this digitized workflow, we extensively make use of the social media. We are present on Facebook and Twitter and we undertake to educate our customers using these social media tools.” says Mehta.

FUTURE OUTLOOK
He adds: “DHFL is indeed well poised to enter a new growth trajectory going forward – by customer category, region and an expanding product portfolio. Led by the fundamentals of integrity, commitment to performance and innovation our faith remains unflinching on financial inclusion from where our Founder started the journey. We will continue to drive innovation in India’s housing finance space as we stands firm in our commitment to build a sustainable business, deliver value to all stakeholders and serve India’s vibrant economy. As we enter the fourth decade of our operations, we will raise the bar and continue the promise of trust, as we endeavour to make dreams come true.”

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TCLL signs MoU with University of Chicago Booth School of Business

Times Centre for Learning Ltd., a Times Group initiative and University Of Chicago Booth School Of Business, recently signed a MoU to collaborate in promoting quality professional education in India. The primary tenets of this MOU are:

a. Chicago Booth as knowledge partner for TCLL
b. Access to Chicago Booth’s research/publications and alumni network
c. Availability of Booth professors to TCLL for events and seminars in India
d. Collaboration in executive education
   a. Open enrolment and/or
   b. Custom executive education
   c. Joint development of content

This MOU marks the coming together of two potent forces for professional education: the unmatched pedigree, history and reputation of the Booth School’s management education practice and TCLL’s physical presence, prowess in delivering learning technology, strong corporate connections and commitment to bringing excellence to education in India.

Commenting on the alliance, Deepak Lamba, The Times of India group, said, “We are honoured to be associated with as storied a school as University of Chicago’s Booth School of Business. As TCLL continues to strive towards its vision of providing excellent professional education to Indian learners across the age group 21-40, I am confident that this association will be a decisive milestone. We are committed to maintain and exceed the high academic standards that learners have automatically come to associate with the Booth School globally and with TCLL in India.”

William Kooser, Associate Dean for Global Outreach at the University Of Chicago Booth School Of Business said, “We continually strive to build mutually beneficial partnership and look forward to this engagement with TCLL. We hope that this alliance will provide great opportunities for both Booth and TCLL. We look forward to creating new educational programs and identifying ways for our faculty to interact with executives and other professionals in the region. This partnership will provide terrific opportunities for sharing of ideas and developing solutions to many of the world’s key business issues.”

About Times Centre for Learning Ltd (TCLL)
Times Centre for Learning Ltd., is a subsidiary of the Times of India group with the vision of providing excellent professional education to Indian learners. TCLL has 21 state of the art training centres across multiple locations in India. With its strong presence and corporate connections TCLL is committed to associate with partners that will lead to the creation of significant knowledge, research and intellect output, while contributing to academia, industry as well as the civil society in general.
DCB Bank had recently passed through a market upheaval. However it survived and bounced back and is now on a right path to double its business and compete with rivals, even as it stays firm on branch expansion. Murali M. Natrajan, MD and CEO of the bank, explains:

Murali M. Natrajan, MD and CEO, DCB Bank, continues to remain focused on the bank’s goal of growing to the next level. In October 2015, the markets reacted sharply on its ambitious branch expansion plan speculating expenses on this account would impact its profitability. When it announced its Q3-2016 results - growth of 32% in Net Interest Income, 24% year-on-year (yoy), growth in its advances and a decent profit, it demonstrated that the results are in line with its plans.

“This positive development is the result of a conviction in our abilities to steer the bank in the right course,” says Natrajan when queried what has actually changed since October 2015 and now when the bank is in a much better position than April 2009 when the new team started their journey to repair the balance sheet and nurse it back to profitability and growth.

“When we actually see our business growth since April 2009, in about 6 years we have grown from a loan book of about ₹2,500 crore to about ₹12,000 crore. In these years, our branch footprint had grown from around 80 branches to 160 branches and we needed to further grow by another 150 branches in order to meet our business plan. The third quarter results are a manifestation of this conviction” he explains.

“And in this endeavour, we shall continue to focus on the SME and MSME segment. In fact, the number of our customers in this segment has increased and we believe that this segment can be better serviced through branch banking. While expanding our branch footprint,
our expansion will focus largely on unbanked areas in states like Madhya Pradesh, Odisha, Chhattisgarh, Punjab and Rajasthan,” says Natrajan.

CORPORATE EXPOSURE
He also points out that the bank has a cautious approach towards its exposure to the corporates, stating in the context of current economic conditions, he feels it is riskier to lend to this segment as compared to SME/MSME.

The bank has also been supporting MFIs in a big way. “We service them through our network of business correspondents. Our specific target in this segment is to lend to groups that cater to the needs of agriculturists,” says he.

POWER OF THREE
“The ‘power of three’ is what we define as ESQ. It stands for Empathy, Speed and Quality. Empathy within ESQ stands for putting ourselves in the customers’ shoes, Speed for reducing customer wait time in respect of banking services while Quality is about getting things right the first time. We adopted this concept around four years ago. Today, it is at the heart of all the work we do - whether it is hardcore technology implementation, or an interaction with a customer or even analyzing the operational issues in the bank. Every DCBian goes through the exercise of imbibing the inherent principles outlined in ESQ” reveals Natrajan.

He elaborates: “And, we give a lot of emphasis to the first aspect, that is, empathy. Today, technology can replace virtually everything in a banking scenario. But, we believe in human touch in whatever we do. This is the key differentiator for us.”

“You must know we do not have an IVR system to interact with our phone banking customers. We have replaced the machines with humans. A customer need not interact with a machine-generated voice but with real humans. We believe this investment has brought the desired impact on our customer service.” he emphasizes.

He also stresses that empathy plays a major role in respect of internal customers of the bank as well. An example of this is the bank’s implementation of new lending management platform, a state of the art loans system driven through Business Process Re-engineering (BPR). This new system is a result of automation of various manual and time consuming processes creating a WOW! among the employees. The bank won an award for the implementation and he says this is the testimony to the quality of empathy the bank tries to build.

SELF-EMPLOYED
One of the main customer target groups for the bank is the self-employed people and the bank’s experience has been that this segment prefers branch banking as compared to digital channels. “So, we provide efficient and quality banking for them at our branches. And empathy is woven into our customer service activities,” says Natrajan.

“I am of the firm view that the human element that is provided in the customer interaction can be enhanced by use of technology. We implemented lending management system and this has brought in a major change in the way we handle our customer requirements. We have a substantial commercial vehicle loan portfolio and prior to the implementation of the system, it was a repetitive manual process prone to errors. Even primary things like application of credit score and determining the credit worthiness of the applicant were done manually. This entailed lot of time and effort wastage and possibility of errors. So, we did a BPR on our loan management process and decided to use digitization to bring in efficiency and customer satisfaction. We have not only been able to manage efficiently the system but also bring down delinquencies. So, today, we can complete the entire process of granting a loan in just one day,” Natrajan elaborates.

The next step for the bank will be “Tab Banking”, which it intends to take up as the next phase of the lending solution implementation. Natrajan feels Tab Banking brings in a whole host of conveniences to the customer. Currently, the bank has launched Tab Banking solution for SME salesforce, which will be extended to other products as well.

DCB ZIPPI
“When I talk about customer convenience, the unique product that comes to my mind is the Finnoviti award winning DCB Zippi,” says Natrajan.

“Essentially, it is an online fixed deposit scheme that can be opened by anyone from anywhere” says he.

FOCUS ON DIGITAL
Natrajan maintains that no bank today can afford to ignore the digital. DCB Bank has several initiatives on this front. For example, it has operationalized mobile-based collections system, which enables the field collection team to
bring in efficiency. Besides, the system cuts down the risks associated with float money and fraudulent transactions.

**TACKLING COMPETITION**

How is the bank preparing to take on the competition that will be there when the 21 new entities enter the banking domain in the next few months?

“I believe the most crucial impact these banks will have on us will be on talent. We are aware of this aspect and we are taking necessary measures. We have several unique human resource interventions for employees’ development and growth,” says Natrajan.

He says as far as Payments Banks are concerned, the bank will rely on technology and offer mobility in order to reach out to the semi-urban and rural areas.

As regards Small Finance Banks are concerned, he is of the view that it will take at least 12 to 18 months for them to effectively start their operations. And unless they offer very competitive rates, it will be difficult for them to build on CASA accounts. “We have a strong position here as we have diversified deposit products that attract customers from multiple segments. On the loan side, as I mentioned earlier, our target audience is the SME and MSME segment and we have proven strengths in catering to this segment. Besides, we have a strong capital base in order to support growth of this segment,” says he.

“Having said this, I am of the view that the Indian market is so huge that any number of players can be accommodated at this point of time,” he adds.

**BIZ MIX**

He talks about the bank’s business mix: Around 45% is Mortgages, around 12% SME and MSME, 17% Corporate Banking, 17% Agri and Inclusive Banking and the rest comprises commercial vehicle loans and gold loans.

**FOCUS AREAS**

R. Venkattesh, head, Operations, Technology and HR of the bank, highlights that digitization is a key priority for the bank today. “We are in the process of implementing cutting edge technology tools that would facilitate a seamless and flawless service to our customers. One core focus area for us in our technology journey is to bring in as many self-service conveniences as possible” says he.

“We are working to galvanize our HR systems. The idea is to provide ESR to the customers as well as to the employees. We have now an enhanced Human Resources Management System (HRMS) in place and we would like to improve this further. For example, we would like to have the concept of single sign-on for all the integrated HR applications,” he adds.

Venkattesh also mentions about the bank’s LEAP program, which is a leadership development program for the staff. It is a platform where talent can be spotted and groomed to become leaders. The program works on the basis of case studies of real life situations. This is one of the flagship programs amongst the several unique HR interventions that the bank has for its employees.

**E-DSR**

The fact that business and IT are well mixed up and cannot be seen in isolation is keenly demonstrated by an app developed by the IT team for the salesforce. Praveen Kutty, head, Retail & SME Banking, whose team beneficially uses an app called e-DSR, or Digital Lead Management System, explains: “e-DSR allows our salesforce to log in and handle leads on a day to day basis with a built-in reminder and escalation mechanism. The app allows the field sales staff to keep tab of their daily activities, generate reports and upload them real time. The app also provides for monitoring facilities.”

So, when Natrajan says he intends to double the Balance Sheet in three years and that it seems to be achievable, he is right on the mark, for the bank is on a right course - businesswise and technologically too.

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Technology in banking, like technology in other spheres, is evolving at a rapid pace with social media, mobility, analytics and cloud computing disrupting well established norms and practices. For example, WhatsApp has almost annihilated SMS and Uber is changing the way we commute and Flipkart is overhauling the way we shop. There are pure technology disruptions, bringing down well established players across the industries.

Banking, which was essentially a paper and documentation driven industry, is getting digitized and is becoming impacted due to innovations in technology.

In line with this changing landscape, DCB Bank has realigned its technology vision to turbo-charge the bank to embark on a digital journey and transform the business landscape.

**DIGITAL TRANSFORMATION**

The whole focus of digital transformation is to improve customer convenience and experience through self-servicing option in the hands of the customer. The bank has recently launched new mobile banking application for both iOS and android platforms. It has a very simple and intuitive user interface, thereby helping the customers to use all the services without any hassles. The bank wants to engage with customers more through mobility platforms. It has launched web-based mutual fund solution to provide wealth management services in customer’s hands.

R. Venkattesh, head, Operations, Technology and HR of the bank, says the key focus area for the bank would be on launching various mobile channels, including a mobile wallet and on improving the experience on the internet banking channel.

Says Sameer Sing Jaini, chief technology officer: “We are in the process of building a complete integrated omni-channel digital framework, powered by service-oriented architecture, to create and deliver services across all channels with same customer experience.”

**PAYMENTS INFRASTRUCTURE**

“Payments are critical to our digital transformation, whether it is electronic funds transfer or e-commerce or bill payments,” says Jaini. “We are making steady progress to strengthen payments by offering entire suite of payments services enabled through new technologies.”

The bank has launched IMPS through various channels including internet banking, mobile banking as well through branches. This has substantially improved its capabilities to provide customers ease of funds transfer either through account number or on basis of mobile number within seconds. It has implemented a payment system middleware to automate RTGS and NEFT payments including returns management. National Automated Clearing House (NACH) has also been implemented to automate mandates payment.

Jaini says the bank is also participating in a drive by National Payments Corporation of India (NPCI) to build the unified payment interface, which will be a single interface across all systems designed to enable all account holders to send and receive money from their smartphones with a single identifier – Aadhaar number, mobile number, virtual payments address – without entering any bank account information.

**CORE APPLICATIONS**

He says it is very critical for a bank to have
robust core applications to support and drive digital portfolio. “To build this strong core application landscape, we have already revamped most of base applications like implementation of new lending management platform, launch of new anti-money laundering system, document management system, gold loan management system and integrated treasury management system,” he points out.

The bank has also launched first of its kind of micro financing lending platform, which allows it and its associate banking correspondents to drive lending. This ensures delivery of financial services at affordable costs to the low-income segments of society.

“All the technology enhancements that we bring in are aligned to our growth,” says Jaini. "Technology investments are made after alignment with business. Business had raised the requirement of CRM platform to fuel growth and we are actively working on building this platform.”

The bank is also building analytics platform to enable it to plan better forecasting and make informed decisions.

Jaini believes that technology is a team driven function with pressure to continuously innovate, be operational 24X7 and deliver on time and within budget. “We are working well as a team to collaborate smoothly both internally as well as with business partners. Collaboration and passion towards ‘changing the way banking happens in India” are key mantras for team to excel,” says he.

**INFRA, SECURITY, RM**

Jaini points out to the recent migration of the data center of the bank from an erstwhile setup to a state of the art tier 3+ facility in a matter of hours with no hiccups or downtime as an indication of the tech-preparedness of the bank’s staff. “The whole migration has been a team effort where technology knowledge, expertise and our understanding of the requirements played a significant role.”

The bank has built its new data center to support digital programs by making highly scalable, high availability and secure data center. The new data center has been built with next generation network stack to make horizontal as well as vertical expansion. It is also future ready to support network virtualization.

Jaini says the bank has also made significant progress in building robust DR setup with sufficient compute and storage capabilities to allow DR to operate as an alternate data center. The DR capability is strongly developed around replication technologies used between DC & DR as well as high bandwidth point-to-point connectivity.

He mentions the tech team has done a lot of work in the virtualization space. "Our data center is largely virtualized. It is a leaner and greener data center,” says he.

The bank has initiated its cloud adoption journey for internal services like learning management system. The branches are connected with high speed network links with redundancy. This enhances customer services at branches as well as provides near 100% availability.

Jaini says as the banking sector witnesses the dawn of a new age of payments, digital story all around with more control in the hands of customers, security and risk management have to be aligned. “We have enhanced our security framework to support digitization,” he says. And as he signs off for a business meeting, he concludes: “While we are well on our way in the digital transformation journey, our eyes are set on the next set of innovations and digital programs.

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State Bank of India has been making serious efforts to achieve substantial growth in its loan portfolios. Rajnish Kumar, MD and GE (National Banking Group) gives details:

State Bank of India is the market leader in education loans with a market share of 23.5%. It is now using all its might to achieve growth target of 15% in home loans and 16-18% in car loans, in order to push the retail loan growth higher in the current FY. The bank's retail advances increased from ₹249,259 crore in September 2014 to ₹291,043 crore in September 2015, registering a 16.76% yoy growth. As on 30 September 2015, about 5 lakh students have been extended education loans by the bank, amounting to an approximate outstanding of ₹15,806 crore. Total education loans sanctioned during 2015-16 till September 2015 were around 24,500 with 83% accounts for studies in India. The total amount sanctioned was around ₹2200 crore, with yoy growth being 3%.

Says Rajnish Kumar, MD & GE (National Banking) of the bank: “We are the market leader in education loans with a market share of 23.5% amongst all scheduled commercial banks.”

The southern zone tops the bank’s in education loans during the last 3 years. The bank’s branches organize camps in the institutional areas to help students. As on 30 September 2015, about 2 lakh students from southern states have been extended education loans amounting to an outstanding of more than ₹6000 crore, says Rajnish Kumar.

The home loans extended by the bank as on September 2015 amounted to ₹170,899 crore, registering a growth of 7.32%. Home loans under priority sector formed 46% of the total home loan portfolio. “Population group wise distribution of our home loan portfolio is: metro 45%, urban 30%, semi urban 18% and rural 7%,” says Rajnish Kumar.

The total number of car loans under personal loan segment extended as of Q2, 2015-16 is 138,524, amounting to ₹7697 crore. The customer friendly product, service level as per customer’s expectation, quick sanctioning, wide publicity via different media, etc, have helped to achieve this growth, says Rajnish Kumar.

The bank has reduced its interest rate by 25 bps with effect from 15 August 2015 which resulted in growth of car loans financed during August and September.

EDUCATION LOANS
Students joining premier institutes like IIMs, IITs, NITs have been offered loans under SBI Scholar Loan Scheme carrying concessional interest rates. During 2015-16 till October 2015, the base rate has come down from 10% to 9.3%. “Loans up to ₹30 lakh are extended to students taking admission in 105 such premier institutions covered under the scheme. As education loans are linked to base rates, the benefit has been passed on to borrowers,” explains Rajnish Kumar.

The ministry of HRD launched an interest subsidy scheme for the benefit of students from economically weaker sections with annual gross parental / family income up to ₹450,000 under which interest on education loans for studies in India is funded during study and moratorium period for technical and professional courses sanctioned from the academic year 2009-10 onwards. Subsidy claims of around 11 lakh accounts were submitted during the period 2009-10 to 2014-15. Around ₹1000 crore was received and credited to the students’ accounts during the same period.
During FY 2015-16, home loan interest rates were brought down from 9.95% p.a. (women) and 10% p.a. (others) to 9.5% p.a. and 9.55% p.a. respectively.

MARKETING
There are many private players who have entered into car finance space. The bank has been evolving strategies to maintain its position: “We are continuously fine tuning our products and pricing to provide the best offer in the market. The same will be our strategy in future. We are also increasing our presence at dealerships. We will also focus more on digital marketing to capture young customers,” says Rajnish Kumar.

The bank has started using social media to promote its car loan products. It has introduced online customer acquisition solution for customers who are willing to apply online for car loans. Credit camps like loan mela and car utsav are regularly conducted at various centers pan-India on an on-going basis.

Other innovative ways and marketing plans include restructuring of delivery process with an aim to improve service experience levels and bring down the turnaround times and focus on builder tie ups. Says Rajnish Kumar: “Special camps are held in housing societies/ apartment blocks during week-ends – so as to meet all prospective customers. Credit camps are conducted on a regular / on-going basis depending upon business opportunity at the regional level. Tie-ups/ MoUs have also been entered into/ planned with third party lead aggregators, Realty firms, developers to source higher volumes of home loan leads and provide better information/experience to customers.”

The bank has introduced an Online Customer Acquisition Solution (OCAS) in May 2015. This application provides customers an online platform to apply for home loans. A customer can check his or her eligibility and get an in-principle approval for home loans within a few minutes. The bank has presence across all major social networking platforms. “In a span of 4 months, we have received over 30,000 home loan leads from OCAS. In order to ensure uniformity in communication with customers, all social media promotions are carried out using the official SBI profile only,” reveals Rajnish Kumar.

NPA
The bank’s auto loan NPAs for the last 3 years are: 1% as on March 2013, 0.79% as on March 2014 and 0.64% as on March 2015. The bank has taken a number of initiatives to contain NPA. Explains Rajnish Kumar: “SMS Alerts are being sent to borrowers before EMI due date and after EMI due date if EMI is not paid. Follow-up (soft-recovery) of Special Mention Accounts and NPAs is undertaken through tele-calling. We have arranged for auction of seized vehicles through organized malls. Regular in-house monitoring of NPA is done.”

The share of education loans’ NPA to the total NPAs as of 30 September 2015 is about 1%. “There are number of reasons for increasing NPA in education loans,” says Rajnish Kumar, adding “these being unemployment/ under-employment after completion of study due to lack of mobility in students, meagre income of parents, non-traceability of the borrower after course completion, non-availability of security to fall back upon in case of default of loans extended up to ₹7.5 lakh which are sanctioned without collateral security, lack of awareness among the borrowers regarding the repayment obligations as well as the severe after effects of non-payment.”

Sovereign State Bank of India has project tie-up arrangement in place with about 4900 real estate developers across the country for financing purchase of dwelling units in tied-up projects by prospective home buyers. Says Rajnish Kumar: “There was no significant change in demand in Q2 FY 2015-16 as compared to Q1 of FY 2015-16.”

The bank does not have tie-up with any educational institutions.

The top 3 car brands the bank has financed are Maruti Suzuki, Hyundai and Honda. “We have been able to source about 1 lakh vehicles of these 3 brands for around ₹5000 crore. We have a dealer financing scheme in place too,” says Rajnish Kumar.
He says educating the students availing loans regarding the negative effects if the loan is not paid back timely is one of the main strategies of the bank to contain this. Besides, the bank also assesses the income-generating capacity of the student and fixes the repayment schedule accordingly. Also the bank has to maintain proper liaison with the students concerned continuously. He also points out that the government of India has launched a Credit Guarantee Fund Scheme which will provide guarantee for education loans up to ₹7.5 lakh, which are unsecured. This will provide some comfort to the lenders.

While the bank has a market share of 23.5% in the education loan segment, it is initiating steps to cut down delinquency. Rajnish Kumar says in order to keep track of the employers where students who have availed of the loans are employed, the bank’s branches liaise with placement and alumni cells of the institutions. “We also monitor the credit behaviour of the borrowers by using the services of credit information companies,” he adds.

Home loans are the safest among the retail products because of the collateral security. The home loan portfolio of the bank has very low incidence of NPAs. Home loan NPAs have come down on a yoy basis. “This is mainly due to close monitoring and follow-up of slipped accounts at all levels, strict entry norms and comprehensive due diligence at origination, etc,” says Rajnish Kumar.

**Targets**

As per the Vision 2026 prepared by ICRA Management Consulting Services as an input for the Automotive Mission Plan 2026, passenger vehicle sales are expected to grow to 13.4 million units per annum from 3.1 million in FY14. It is estimated that the Indian auto industry will grow to 75.8 million units by FY 2026 as compared to 21.5 million units in FY14. Rajnish Kumar explains: “The plan expects the proportions of A and B segments (compact cars) to rise sharply in the next decade. It further anticipates India to be among the top three automotive markets in the world. Our target for 2015-16 is to achieve a portfolio growth of 15% over last year.”

The bank does not expect the market conditions to change drastically from the current levels in the short term. “However, in the medium term demand for home loans will increase with further softening of interest rates,” expects Rajnish Kumar.

Periodic customer satisfaction surveys / studies and number of complaints received from customers during a period are being used to measure customer satisfaction levels on an on-going basis by the bank. Customer retention strategies have been very effective with negligible reverse migration of customers to other banks / FIs, says Rajnish Kumar.

Maximum LTV of up to 90% of the project cost, earlier applicable only on home loans up to ₹20 lakh, has now been made applicable on home loans up to ₹30 lakh. Reduction in margin requirements for borrowers in the ₹20-30 lakh loan bracket will raise the demand for home loans in this segment. The bank expects a growth of about 16-18% in home loan levels during the current FY.

mehul@bankingfrontiers.com
V. Raghuraman: Can you give a short review of your company covering customers, employees, branches, products and services?

Paul Thomas: At present, we are reaching out to 8.5 lakh customers across 10 states. We cover 75 districts through a total branch network of 225. The total gross loan portfolio is at around ₹1500 crore. More importantly, 85 of our branches are in the most backward districts of the country as listed out by the Planning Commission. A deliberate effort is being made on our part to reach out to the geographically remote and unbanked regions in the country where the locals usually go to money lenders for all their financial needs. It is, however, well known that they only exploit the poor and push them further into the debt trap.

On the other hand, we, with a total staff strength of nearly 3000, are well experienced and trained in all aspects relating to financial product delivery and finance and service and we carry out the task of micro lending with a great deal of vigour and enthusiasm. Rooted in the mission of enabling the disadvantaged communities to access services that support them to come up in their lives from their perpetual poverty levels, ESAF carries a strong value-based approach while balancing its financial and social performance.

Having understood the different financial needs of a poor family over a life cycle, ESAF has designed and developed a range of products for the clients to choose from. These products are offered after a thorough need-based analysis and repayment capacity study of the borrowers. At the same time, every care is taken to ensure that the loan amount sanctioned does not exceed ₹60,000. A team of in-house research professionals conduct the need assessment prior to the development of the product. Income generation loan accounts, incidentally, contribute for more than 90% of our total advances.

Your activities are spread over 10 states. Why is it that instead of concentrating on Kerala, your home state, and where there is ample scope for lending, you have moved to the far-off states?

We have deliberately moved to the far-flung regions of the country as we found that they are under-served and un-banked. Our experience of working in Kerala brought home a very vital fact: poor are trustworthy and that microfinance is a powerful tool to bring a positive transformation in the lives of the poor. In February 2006, we took over an NBFC called Pinnai Finance and Investments, which was renamed as ESAF-Microfinance and Investments (EMFIL) to ensure optimal scale of operations and viability. A detailed expansion plan was formulated after taking stock of growth opportunities along with the identification of unbanked areas, regional and socio-economic backwardness of the locals. Accordingly, Sironcha and Gadchiroli in Maharashtra and Mahasamund and Kanker in Chattisgarh were selected as the early backward districts and identified as per the expansion plans which took place in 2004 and 2006. Thus, ESAF pioneered microfinance in some of the severely Naxal-affected districts in the country, thereby ensuring that the very cause of extremism like financial disparity is well addressed through a mainstream methodology. States like Andhra Pradesh and Karnataka, which already had the presence of multiple financial service providers, were purposely ruled out for doing business.

Which are your flagship loan products?

All our products are developed with a clear purpose of meeting an unmet life, changing the needs of our customers that can improve their standard of living or build their livelihood. Our in-house research team undertakes periodic market surveys and need-based assessment to understand the overwhelming need and
viability of introducing a new product. The product is then piloted and again, based on customer feedback, changes are made prior to the final roll-out. Income generation loan is our flagship product, which has 90% portfolio and is aimed at the establishment of new livelihood generation activities and thereby bringing about economic sustainability in the rural areas. Incidentally, all our products are collateral-less and work on a joint liability model where each group member stands as guarantor to each other.

What is the lending target for 2015-16? What will be the distribution among various states?
The overall lending target for this fiscal year is `2377 crore. State-wise distribution pattern is as follows: Kerala – `1500 crore; Tamil Nadu – `350 crore; Maharashtra – `250 crore; Chattisgarh – `100 crore; Madhya Pradesh – `125 crore; Jharkhand – `30 crore; Bihar – `7 crore; Pondicherry – `10 crore; and West Bengal – `5 crore.

Your recovery rate is reportedly very high (99%). What is your approach that leads to this achievement?
Our recovery rate has always been very high – around 99%. There are many reasons for this. A loan for a poor family is like an opportunity which they appreciate and recognize as 'unique and privileged one'. Moreover, to get uninterrupted cycles of loan, a client has to have a ‘clean’ credit history and the poor client is well aware of this fact. Any defaults would affect the client’s reputation. Consequently, the client’s continuance in the group could be affected as the other group members might not want to stand as guarantor for someone who has had a poor credit history. Thus, the ‘joint liability’ model creates a sort of ‘peer pressure and a repayment discipline’ where all the members are fully conscious of their commitments towards repayment of dues. Also, we check the repayment capabilities of the client prior to disbursement to ensure that the client doesn’t undergo any undue stress when they repay and disrupt the repayment schedule.

What according to you were the key attributes that got you the approval from RBI to start a small bank?
Our long and committed service to the poor by bringing them into the financial inclusion landscape coupled with a steady portfolio growth has definitely been one of the key factors. We remained unaffected by the adverse market conditions in the past three years and have been able to consistently grow our loan portfolio at CAGR of 34% since fiscal 2010-11. We had an uninterrupted equity infusion. While we achieved operational self-sufficiency, we also balanced our social performance by attaining various social targets and going beyond the call of microfinance to offer credit plus services to our customers that especially helped the low income groups to have among other things meaningful livelihood, resistance to natural disasters, secured future, improved housing conditions, etc.

Due to these social programs, the attrition ratio among our customers is very low. It would not be out of place to point out that ESAF customers have not switched to other competing microfinance institutions due to a host of social services provided to them by ESAF Society, the parent NGO.

What technology upgradations have you done in the last 12 months? What are the plans for the next 12 months?
We fully understand that technology in the coming years will not only provide a ‘cutting edge’ for all our activities. It would definitely give an edge in improving effectiveness and reach and also make life much simpler for all our customers/clients. In the last 12 months, we have, in fact, introduced digitally enabled mobility-solution to the field work-force to support the customers. We have also initiated the cloud-porting of imaging and work-flow solution to support loan applications processing at a central location. This is more so for applications digitally sent out from the branches using the imaging and work-flow solution.

What will be the technology model for the upcoming bank?
The proposed technology model is being built around best-of-breed solutions in mission-critical areas. Key differentiation will be in the form of improved customer experience and rapid financial inclusion through extensive adoption of digital technologies. This would include digital sourcing of asset and liability products, in addition to the servicing and disbursement through interlinked digital channels right from day one.
Select Openings

**HSBC Bank**
Position: VP IT Development : 000070T9
Place of posting: Mumbai
Educational Qualification:University (BA) or (BS) with 5-10 years of work experience with good exposure to vendor management. The jobholder has to have an excellent knowledge of the systems development and project management discipline and can put the discipline into practice. He/She is required to understand the business requirement, have a strong commercial orientation and can appreciate the business usage of system developed.
Job Code: VP/IT/HSBC/010216
Job Description: Principal Responsibilities
• Analyze user requirements and come up with a blue print of feasible systems solution. Lead the clear choice exercise wherever applicable.
• Manage the full systems development life cycle (or project life cycle) from approved Clear Choice to Implementation to ensure business requirements are met or exceeded, on time and within budget in line with business targets
• Ensure that problems are managed and escalated efficiently with the minimum disruption to the business
• Identify and engage all key stakeholders, contributors and business and technical resources that must participate in the assigned projects and ensure contributors are committed to complete assigned tasks within parameters of the project plan

**HSBC Bank**
Position: AVP AML: 000070UZ
Place of posting: Mumbai
Educational Qualification: Professional with experience in one or more Risk/Compliance management or front office roles. At least 5-10 years of banking experience, preferably with at least 2 years of experience in the areas related to Financial Crime. Extensive knowledge of AML regulations and guidance. Lateral thinker with an ability to interpret and solve complex issues. Excellent communicator with strong inter-personal and influencing skills. Experience of dealing with regulatory matters.
Job Code: AVP/AML/HSBC/010216
Job Description: Assist INM line management (via the Head FCC & Head AML), in their responsibility for complying with relevant regulations on AML and Sanctions, including advising on related issues.

**Barclays Bank**
Position:Vice President - OD Partner - 90048671
Place of posting: Pune
Educational Qualification:MBA (HR) from a reputed Management Institute
Job Code: VP/OD/BARC/010216
Job Experience:Responsible for designing and driving OD programmes for the business area
• Build a deep understanding of the business strategy (in the overall context of the Group’s LL&T strategy), operating model and capabilities and design and deliver the appropriate OD solutions
• Establish and manage strong working relationships with senior business stakeholders, including Heads of HR and Business MDs/senior Directors in order to:
• Identify and prioritise organisational requirements across the full range of LL&T expertise (Talent, Learning,
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250+ Professional Team | 150+ Enterprise Clients | 20+ Nationalities | 15+ International Awards | 10+ Global Locations
Canara HSBC OBC Life Insurance aims at 30% growth

Anuj Mathur, CEO, Canara HSBC OBC Life Insurance, is optimistic about the growth indicators of his company and the overall industry in 2015-16:

Canara HSBC OBC Life Insurance Co has taken various strategic initiatives during the year to be on the growth path. Its total new business in 2014-15 was Rs475 crore. It has increased the sales capacity across its bank partners’ distribution network. To support them, it has also increased its support structure so as to enable a higher efficiency across the vast distribution of 8000 branches that the partner banks offer.

Says Anuj Mathur, CEO: “We have aligned our distribution strategy to focus on the high potential branches. Through the year, we have been focusing on these branches to improve our activation and productivity. The branch network of our 3 banks offers a huge potential and it is critical that we tap the customer base so as to offer insurance solutions to our customers.”

The company has started building a foundation for expanding its footprint in the digital space. It is aligning its systems, thinking process, product suite to cater to this important segment and market. The company is also preparing to capitalize on this second wave of growth which this market will offer. It is looking at growing at least 30% in 2015-16.

Mathur says: “Canara Bank is the highest contributor in FY 15-16 till December 2015 among the three partners. Geographical distribution of the company’s business is: north & south India 30% to 35%, west 20% and east 15%.”

NEW PRODUCTS
The company has launched 7 new products in FY2015-16. These new products cater to various customer needs including investment, wealth creation, lifetime retirement income, endowment, immediate annuity and unit linked. Says Mathur: “The new products launched had a good response among the three banks, with almost 40% of our new business premiums coming from the new products launched since April 2015. We do have a few products in the pipeline which are filed with the regulator and are awaiting approval. They would be launched over the next 3-4 months.”

The new set of products aim towards a sharper customer proposition to address key needs like retirement accumulation, children’s education and marriage for risk averse customers, pure protection and guaranteed savings to plan for life’s milestones.

CHALLENGES, OPPORTUNITIES
The Indian life insurance industry is robust and continues to present a very large opportunity as the insurance penetration is merely 4%. Increasing awareness and customizing solutions for the needs are what the industry will have to work for, says Mathur.

Bancassurance will play a big part in this growth story. With more than 1 lakh bank branches spread across all markets, the network offers a huge scope to increase penetration. Mathur says that is what the company is aiming for. Sales and service across this vast distribution if managed well will ensure an increase in insurance penetration.

The challenge for any insurer will always be to listen to the customer. What is required is an ‘engaged consumer’. Mathur maintains that this will have to be done through a consistent and regular communication with the customers. Customer centricity and service is a must.

Another big challenge is attracting committed and quality talent to the industry. This is the cornerstone of any financial services industry. That it is important that the quality of resources that the industry is able to attract and retain is top notch.

RURAL INDIA
The company has issued upwards of 5000 policies in the rural market. Mathur says the challenge in tapping this market is always two folds - right product offering and subsequently the service model. It has increased its sales support across these set of branches so that the solution offered could increase. As an overall approach, there is a large untapped market (customer base) waiting to be tapped. He explains: “Our banks offer the distribution and over the past year we have been trying to increase penetration in this critical market. We are in the process of launching new traditional products in the
coming months, which would strengthen the product offering for the customers of these markets. We have to get the balance right and we are taking the steps in this direction to explore this.”

RAISING CAPITAL
The company has started generating profits and is self-sufficient to fund the expenses of running the business. The overall regulatory scenario is very positive. Says Mathur: “We are not projecting any capital requirement in the near future and are confident of meeting our requirement through the current cash flows. Having said so, we have the support of our shareholders and they are fully committed in case of any requirement in future.”

TECHNOLOGY
Through strengthening of technology and system integration, the company is making its service model robust. With 8000 bank branches, it is absolutely critical that it works on system integration with its partner banks. The customers’ end to end needs from product offering to the service should be fulfilled at the bank branch and that has been the focus of its technology team.

Mathur shares some details: “Some of the initiatives that are in the process of being introduced include tablet based sales model using technology to transfer the proposal form, automatic rule based underwriting to improve operations productivity and transition to cloud based infrastructure & application for some of its systems. The digital market will have a significant contribution to our company’s revenue line in the future. Technology, product suite, increased visibility on the web world, social media presence and the associated support system has been spruced up to suit the market and the target segment. This year will see a heightened presence & activity of our company as we target up to 10% of our revenue in the short term from this channel.”

MARKETING
While the digital is evolving, Mathur still believes in the conventional methods.

Anuj Mathur is of the view that bancassurance has a huge scope in India for increasing insurance penetration

“Print and outdoor are the ones which talks to the majority of Indian population. Last year we created campaigns on two important customer centric propositions ‘child’ & ‘retirement’. The campaigns were carried out in 8 languages spread over 33 cities in January 2015.”

The company also has its own initiative wherein it runs 1000+ OOH screens out of select Canara Bank and OBC Bank branches. This has helped it to create an instant connect with the customers.

LAPSED POLICIES
Even though the company exercises great caution while selling the policies, there are instances where the customers are not able to pay on time. The policies hence lapse. “Our current lapse ratio is under 20% and the primary reason why customers do not pay are because of their financial position (at that point in time). Apart from this, there are some challenges which are experienced on contactability in rural and semi urban markets which we have to deal with,” says Mathur.

The initiatives it has taken to prevent lapses include increase in reach of payments and convenience facilities for customers, multilingual communications especially for semi urban and rural sectors, diversified traditional products being introduced, ensuring a robust on-boarding of the customer at the policy inception stage, proactive and reactive customer engagement programs, personalized communications to customers enumerating benefits of continuing the policy and predictive surrender retention model.

TARGETS
Canara HSBC OBC Life Insurance is a blue blood bancassurance company and over the past 8 years it has developed sufficient expertise in this space. It has a cumulative customer base of 60 million. Mathur believes that the company has not yet scratched the surface as its current penetration levels are less than 1% of the customer base hence there is so much more that it can do. He says that there are aggressive plans to reach out to these customers.

The e-commerce opportunity is waiting to be tapped and life insurance cannot be left behind. The channel is cost effective, addresses a specific segment which prefers to deal in a non physical manner and has a huge potential. Mathur says: “We have initiated measures to tap this market aggressively and look forward to the opportunity presented. While at present we have our product suite which caters to all relevant customer segments we are exploring the possibility of designing customized products to HNIs, health and NRIs.”

BUDGET EXPECTATIONS
Mathur says he expects the government to provide stimulus to the insurance industry by providing fiscal incentives to the sector. “We expect the government to create a separate limit of ₹1.50 lakh for insurance premiums. We also expect the government to make annuities tax free, as in the current framework even the customer’s own contribution is taxed. We would like the government to waive off the stamp duty applicable on pure risk business, considering that this move will benefit masses,” says he.
Unique Products

Technoviti - efficient solutions for BFSI

In this second instalment, we highlight the products of technology companies, which were presented for evaluation at the Technoviti 2016 awards:

Credentek

GallOP Reconciliation

Credentek’s GallOP Reconciliation is an enterprise solution for n way (3/4 way) reconciliation of transactions to deliver advanced functionality and processing power required to effectively automate reconciliation. GallOP can be used to perform reconciliation between any ‘n’ (n number of) systems. It supports various progressive reconciliation rules like Self, Straight, Cross, GL adjustment identification and voucher generation, duplicate file/transaction identification, reconciliation of all ATM transactions, case management etc.

GallOP features a simple and easy to access UI. It can be integrated with the financial organization’s core systems to fetch source files. These source files can then be compared and reconciled across a single system. A single system for reconciliation leads to considerable savings in manpower and cost. The tool offers high availability and fall back support that leads to improved reliability. The 24X7 reconciliation reduces reconciliation processing time and cost, rich-parser library support. The application provides higher level of customer satisfaction due to proactive credit, accurate decision making on disputed transactions, superior analytics and MIS, alerts and escalations. Business logic is developed and used as component library. SOA based architecture enables reuse of legacy business logic. It institutionalizes code modularization and documentation.

Credentek says the tool is portable since it can operate on a variety of Unix-based operating systems. It also supports multiple hardware platforms - Solaris, AIX, Linux, Ubuntu. The tool is database-independent, supporting both in-memory data processing as well as distributed databases.

IDDS (Doorstep Banking Solution)

Credentek’s IDDS is an automated system for managing and monitoring doorstep delivery services offered by banks. The solution provides real-time tracking, processing and managing of doorstep delivery of cash/cheque and other negotiable instruments. Customer requests created across multiple channels (fax, phone, web and mobile) are automatically allocated to various agencies or runner boys in the location based on an intelligent algorithm. Runner boys are empowered with features such as geo-tagging which helps service customer requests.

The app can also calculate profitability, show notifications and alerts besides integration capability with core banking services. The tool also provides complete automation of doorstep banking services, which results in reduction of cash handling charges, speedy reconciliation, charges settlement, real time MIS generation and increased customer satisfaction. It eliminates manual work which requires paper usage etc. The system enables MIS with an on-the-fly single click feature.

The app helps in cost reduction as all the requests can be handled centrally without the need for a physical branch. It improves TAT for ad-hoc and beat requests, offers profitability analysis at a granular level, increases customer onboarding, reduction in time to service-delivery, reduction in cash handling charges, speedy reconciliation and charges settlement. The system allows banks to store data in electronic format and eliminates the risks of error-prone excel sheets or manual processes. It offers a single view of open/pending requests to the bank staff and the flexibility to manage the queue by prioritizing / de-prioritizing requests based on the available vendor staff and resources on a particular day.
CS Infocom

Omni Engagement Relationship (OER) Executive

CS Infocom’s Omni Engagement Relationship (OER) Executive is an omni engagement relationship and a CRM interaction management solution. It enhances customer interactions across all channels including voice, video, text, chat, email, and social media.

Traditionally banking customer-service has been perceived as a one-on-one, or personalized, relationship, but with the introduction of various technologies, this personal touch is diminishing. Banks are creating a system-driven experience devoid of human touch. The OER Executive offers technology features to handle customer interactions while maintaining the traditional one-on-one contextual personal and human touch during banking interactions and relationship management.

The tool offers a user friendly interface and simple features for relationship managers. It also has a mobile engagement tool to allow relationship managers to interact with customers. The open-source technology can be paired seamlessly with diverse hardware, software and telephony platforms including back end core banking and other applications such as demat, cards and insurance sales. The tool also offers features such as self-service interactions, secure and monitored interactions, interaction recording and a unified report of all interactions. It promises a better first call resolution which results in a higher c-sat score. Effective monitoring and reporting helps supervisors to keep a tab on the relationship executives, besides a strong omni-channel presence.

Entrust Datacard

Entrust Identity Guard

Entrust Datacard helps organizations build real relationships based on trust, ensuring frictionless authentication experiences for the consumers, citizens or employees. Entrust Identity Guard offers mobile-enabled authentication for authorized users as they navigate the world that is always connected and rarely secure. The authentication platform addresses a range of needs that includes physical and logical access, VPN access, transaction verification, digital signatures, and federation to cloud-hosted applications.

The product was tested first on a Samsung device. Placement of digital identity into the Samsung trusted execution environment is a leading edge innovation where digital identity of the user is protected in the ARM central processing unit called the ‘Trusted Execution Environment’.

This innovation enables a cardholder to achieve the same authentication assurance levels as that of a plastic card, with the convenience and advanced solutions only available on mobile phones. The consumer is armed to successfully eliminate card fraud in a convenient and timely manner, whether the transaction is a ‘card not present’ or ‘card present’ financial transaction. Users would be able to control the financial transaction signing and authorization, critical applications login and enterprise authentication process securely using the mobile phones. The benefits can extend to all verticals requiring digital signature, authorization and authentication purposes across BFSI, defense, eGovernance, retail and others.
ESDS

eNlight

ESDS’ eNlight cloud is a cost-effective, secure and open-source platform that enables organizations to remain competitive and innovative. At the heart of the offering is a patented auto scaling technology that combines vertical and horizontal scaling on a pay-per-consumption model. eNlight cloud’s utility-based scaling takes into account the scalability notion and dynamically provisions resources like RAM, bandwidth and CPU among others. The inbuilt intelligence differentiates between active (in use) and idle resources, and accordingly scales resources with possible capability without requiring a reboot. The system horizontally and vertically adjusts the load through an auto-sense of resources which is calculated every 30 seconds.

The ESDS facility is uptime certified and replete with physical systems such as biometric devices and a seven-layer security. ESDS has also provisioned virtual security which includes measures such as network isolation (using network virtualization to ensure different network resources for even the same hardware), and ensuring every customer in a separate virtual LAN. Anti-spoof/antisniff firewalls, anomaly detectors and filtering systems also ensure that security concerns are addressed at the highest possible level.

eNlight cloud comes with a mobile app that lets the user manage their virtual machines from any place, anytime. Best of all, it is delivered from an uptime certified Tier 3 datacenter. Some of the notable clients operating from the facility include Pizza Hut, KFC, Wechat, Club Mahindra, SIDBI and Essar, MTR, Muthoot Group and Municipal Corporation of Greater Mumbai. More than 40 banks, including cooperative banks, are served by eNlight.

FiscalLogix Technology

BankCIS

FiscalLogix Technology’s BankCIS software provides greater credit management efficiency for banks. At the heart of the tool is a web-based (Oracle & Java with Hibernate technology) Core Banking Solution. The tool enables seamless automation for loan proposal submission, default checking, credit rating, processing, ratio analysis with system generated comments, sophisticated computations, checking/recommending, sanction within the boundaries of the delegated power and credit exposure ceiling (with provision to obtain prior sanction for scheme deviation, prior permission/ratification/condonation of exceeding delegated power/credit exposure ceiling and prior confirmation of credit rating), generation of sanction order documentation, equitable mortgage, registers with collateral management, post sanction follows up towards sensitive aspects, statements and MIS reports.

Some 238 different types of loans can be processed in BankCIS, including term loans, working capital finance (funded and non funded), forward exchange contracts (import and export), non priority sector advances, centrally sponsored schemes and retail loans to agriculture, MSMEs, corporate, mid-corporate, large corporate, NBFC, infrastructure/project financing and others.

The solution enables data import and thereby provides a complete picture to branches. Branches need not dig the hidden facts in the proposal, as field functionaries can interact with a client. Loan sanctioning powers can be re-assigned to the branch managers.

Field functionaries are empowered to commit accurate and permissible loan sanction limits, which further enables customer convenience. The TAT for offering a loan gets reduced to mere hours in comparison with the existing practice of taking about 1-2 months. The system also enables rule based sanctioning as per government, central bank guidelines, credit policy of the bank and in conformity with banking practice.
FSS

Internet Payment Gateway

The FSS Internet Payment Gateway (IPG) service eliminates complexities involved in ‘card-not-present’ transactions and enables banks rapidly acquire more merchants to increase market share and generate revenues. It is a cost-effective service supported by rich features that provides convenience and high security.

FSS IPG provides customers, merchants and banks with a PCI DSS 3.1, PA DSS 3.0, ISO 9001: 2008 and PCI DSS 3.1 certified processing environment. IPG supports 256-bit encryption standards, 3D secure, encrypted or hashed comprehensive security mechanism for storage of confidential details, encrypts login, change password, and forgot password processes using 3DES based on dynamic keys. The IPG also supports CAPTCHA, communicates encrypted link through email for generating password and allows password generation for a stipulated period while encrypting batch files using dynamic keys.

IPG can be branded as a bank’s service to help gain reputation and trust. Merchants can seamlessly operate across channels such as e-commerce, IVR, m-commerce and batch processing. It seamlessly processes transactions across different card types besides enabling direct connectivity with the NPCI switch, providing banks a first mover advantage for newer transaction-sets such as IMPS, net banking, etc.

Toggle

FSS Toggle empowers cardholders to manage their debit, prepaid and credit cards from an application on a smart phone. It allows cardholders to set control preferences, receive real-time alerts and respond to fraud alerts. Financial institutions can empower their customers to lower frauds, and increase revenue from higher card usage. A customer can switch off the card usage by simply selecting the ‘Card On/Off’ feature on the application.

At the heart of this innovation is a location-based control, which empowers cardholders to define the geographical range for the card to be active using Google Maps. Card usage beyond a specific user-defined range not only blocks a card, but an auto-alert is also sent to a customer via SMS. A feature called Safe mode allows customers to use the card only once, until the Safe mode is lifted from the app. The customer can also customize transaction types, merchant categories and spend limits that match according to his usage profile.

The tool enables external stakeholders to reduce frauds by 30%. Higher card usage results in more revenue. The tool also enables external stakeholders to increase new card holders and get quicker return on investment. Better card control results in higher customer engagement and confidence. According to FSS, financial institutions can offer differentiated solution in a crowded marketplace. The product has a positive rub off on other card management products.

PoSability

FSS PoSability is an integrated platform for inventory, billing and payments designed for merchants, banks and merchant service providers to deliver superior in-store shopping experience to consumers. The solution offers solutions such as billing, payment and inventory at store level. It features a multi-institution support option to route transactions to more than one acquirer institution, and flexible BIN based routing configurations to choose right authorizer host for transaction authorizations.

PoSability can be easily integrated on the digital channel and used as an independent POS module in mobile, web and PC POS terminals thereby enabling the digital channels to act as traditional POS terminal allowing traditional POS transactions too. The solution also allows the merchant to configure more than one acquiring institution to reduce transaction fees.

Cardholders can be authenticated using e-signature and PIN verifications. The solution allows for paperless receipts in mobile POS terminals, card acceptors to issue bills and receipts to consumers in electronic form. A single solution benefits merchants by reducing redundant tasks and focusing on important business decisions. Faster checkout and efficient queue management improves customer convenience.
Gemalto

SafeNet PCI-E HSM

Gemalto’s SafeNet PCI-E HSM has been implemented at the Reserve Bank of India and the National Payments Corporation of India. The solution enables financial organizations to employ multiple layers of defense to protect business critical cryptographic keys and functions which are used to digitize and secure numerous banking transactions like e-KYC, Cheque Truncation System, RTGS, document and email signing etc. The adoption has enabled business processes to be securely digitized thus allowing a much faster and trusted execution environment.

SafeNet PCI-E HSM – formerly Luna PCI-E – can be embedded directly in an appliance or application server for an easy-to-integrate and cost-efficient solution for cryptographic acceleration and security. The high-security hardware design ensures the integrity and protection of encryption keys throughout their life cycle.

Adoption of SafeNet PCI-E HSM reduces direct and indirect costs on prevention and protection of business critical data in various financial transactions and inter-bank transactions. The tool also assures businesses functionalities of non-repudiation, data confidentiality and integrity that are critical in any interbank communications thereby allowing for the creation of a trusted ecosystem. End-customers have also been benefited by the faster execution of their transactions with banks by virtue of the availability of this project.

CRIF High Mark Credit Information Services

OneIdentii

OneIdentii from Crif High Mark is a de-duplicating tool that identifies customer records and multiple relations from diverse systems. The tool merges best technologies such as big data and technology stacks for low-cost high-speed computing and offering 10% lift over nearest competitors in de-duplication tests. The tool’s single USP is ensuring data completeness.

Most financial organizations are challenged by low quality and partial data, impacting KYC and compliance standard. Data records such as name, father/spouse name/address are important communication assets and de-duping those makes customer-communication reliable, enabling data-completeness and accuracy.

OneIdentii assigns a unique customer ID and identifies related individuals from the same household or business. As a compliance tool, it offers a unique customer id (UCIC) mandated by regulators. It also improves KYC/AML compliance. From a cost perspective, it manages customer demographics at a single source, avoids multiple contacts with same customers and saves data entry on customer’s next relationship. Businesses can understand the total relationship value with a customer and effective marketing outreach (up-sell / cross sell). The tool additionally improves faster customer onboarding for repeat and related customers.

OneIdentii has been tested on financial data across credit bureaus and insurance companies. It offers offline-batch and online real time mode and is available as a license, subscription and service model.
GreyPad Technologies

PrintSuite

GreyPad Technologies has built a cloud-ready enterprise customer communication management platform for automating personalized, large volume, time-bound and highly secure customer communications across multiple channels. The platform is robust, and can address the growing communication needs of customer facing organizations in a cost effective manner. It can be used for all types of communications including transactional, trans-promo, non-transactional, direct mail, marketing campaigns and many more.

The platform’s RemoteApp module is a globally unique offering that provides 100% security of data and files for outsourced printing with real-time monitoring and control of remote location activities. The tool is live at ICICI Bank and RBL Bank. It reduces 80% cost of infrastructure and management (hardware, software licensing, human resource, maintenance cost). It also provides a 100% data security and control over print vendors until the pages are printed on production printers. This enables organizations to be completely vendor independent.

It provides interactive documents with filters, drill down charts, runtime sorting etc. making transactional communications more organized and meaningful for customers. The tool supports deployment on web farms and web gardens with real-time failovers. Also, BCP and DR plans can enhance reliability of the platform. Furthermore, the SOA provides easy integration with backend applications as well as end user DFE using web services.

GIEOM

GIEOM is an all-in-one solution that combines the features of LMS/e-learning / competency development solution, BPM, analytics and dashboard reporting, risk and compliance training, and GRC tool. GIEOM offers digitization of standard operating procedures by assembling and interconnecting process diagrams, policies, templates, IT trainings and work instructions. A unique intelligent linking technology helps identify the impact of changes in any business element across other business elements. Organizations can train employees and assess their operational readiness using this tool. The product also has the capability to monitor compliance status across operating units and departments.

The solution provides a new approach that covers the full lifecycle of learning management, across the stages of authoring, review, approval, user notification and acknowledgement, and later, the events of periodic review, versioning and archival.

GIEOM captures information at a granular level such as the inter-linkages across different information elements such as regulations, policies, processes, IT systems, users, locations etc. This enables one to quickly identify the ripple effects of change in one element across other elements. The solution has helped drive and deliver operational excellence and it is being used by Central Bank of Ethiopia, RBL Bank, IndusInd Bank, South Indian Bank, Mauritius Commercial Bank, Diamond Trust Bank (Kenya), National Microfinance Bank (Tanzania) and 100,000+ users across 50+ countries globally.
Senrysa
Branchless Banking Platform

Senrysa’s Branchless Banking Platform eliminates the need for costly brick and mortar branches and enables banks to use branchless banking to reach their customers efficiently. The solution empowers banks with mobility devices that bring financial services directly to the fingertips of the end-user and the agent network thereby creating an unprecedented proximity between the mass and the formal banking customer. By using the platform, an existing bank increases the number of services it can offer to customers and increases its potential customer base dramatically. Branchless banking can also be used as a new channel to deliver financial services to existing customers, with greater proximity. The tool features modules such as demographic mapping for compliance, agency hierarchy management, agent recruitments, agent commission management, limit management, terminal management, customer on-boarding with KYC compliance and management dashboard. It also offers role based access, and a maker-checker based approval for financial as well as non-financial transactions.

The cost of setting up a network of agents compared to building a brick and mortar branch is minimal. An agent is trained to administer the bank’s financial services. With only a small mobility device (hand held terminal or smart phone), the agent can easily reach the end-user. The proximity between the agent and the end-user is paramount for financial inclusion.
Feitian Technologies

NFC / BLE Technology

Feitian provides BLE/NFC functions on card-payments. Security experts are of the view that distribution, use and replacement of OTP card storing in a seed file is challenging. Feitian offers OTP seeds that can be programmed and through NFC / BLE technology, the OTP can be conveniently and securely used.

Feitian’s technology has been implemented at Bank of China. The technology allows customers to utilize chip authentication programs such as OCRA (Oath Challenge Response Algorithm) to add security to their transactions thwarting any attempts of a man-in-the-middle attack.

EMV cards with OTP applications though have been seen in the market, Feitian brings card payment technology to the next level by offering a Bluetooth interface, seed provisioning and rechargeable interface. The Feitian cards are enabled with a rechargeable battery. The Bluetooth interface allows for an easy usage for the end users and increased security for end users. Simply pressing a button, the user can connect their banking card with their mobile device. The product overall benefits customers and banks as users can reduce costs, improve security, better customer retention.

VSoft

IRIS Omnichannel

VSoft’s IRIS Omnichannel solution is a unified system that enables banks to render internet and mobile banking across multiple devices. The solution provides banks with a 360-degree view of the customer, business analytics and the customer intent during an interaction. The tool also integrates disparate digital and physical channels into a single seamless entity while additionally lowering operation costs through better technology solutions and efficient workflows.

The solution has been built with responsive design principles in mind that ensures adapting to multiple form factors in various devices. The platform has multilingual support for faster adoption and a single set of business rules, login credentials and authentication process across all channels that pave way for transparency.

The HTML 5 enabled responsive design makes the front-end interface fully adaptable to the various smart devices with different form factors that users use today. Additionally it allows a consistent, channel-optimized experience that gives customers a full view of their relationship. Customers can view account summary and detail, request for mini or detailed statement, place a stop-cheque request, request for a new cheque book, change their online banking password, view customized marketing messages and offers.

IRIS Omnichannel is the only banking solution in the market that offers a unified internet and mobile banking application both at the front end and at the backend. Being a hosted service, the solution eliminates the challenge of capital expenditure and offers banks a predictable monthly fee. All upgrades and enhancements to the platform will be available to the banks immediately.
FirstHive is a customer engagement tool that helps marketers navigate their data journey. This tool acquires, tracks and engages customers across multiple channels. It seamlessly captures customer data at multiple channels across mobile, social, web, email, offline stores and direct marketing. A dynamic, real time tagged storage helps build an accurate and unified picture of each customer. It identifies most valuable touch points by analyzing customer behavior while dynamically segmenting customers.

The tool provides role based access to all stakeholders while offering marketers the capability to run and schedule multi-channel campaigns precisely hitting on target. It empowers customer acquisition, increase share of customer wallet, increase RoI, real time data availability, data driven decisions, provides omni-channel advantage, multi-form accessibility, enables trigger based communications, thereby leading to hyper-personalization, and visibility to primary, secondary and tertiary sales.

FirstHive is a sector agnostic product and hence has been put to use by P&G, Lenovo, Shell, Polycab, ITC, Reckitt Benckiser, SKF, Essilor, SBI Life Insurance, Andhra Bank and ICICI Bank. The tool is used by 12 million users delivering over $2 billion+ worth of value to enterprise impact.
ESRI India

ArcGIS

Environmental Space Research Institute (ESRI) India has developed ArcGIS, which is a GIS tool that facilitates a geographical context to business communication. ArcGIS, though was developed from a governance perspective, has tremendous application in banking and financial services. It provides insights on business activities such as branch expansion, competition mapping, territory mapping, operational efficiency and which localities to target for a marketing campaign. It also offers rural lending applications such as tracking regional climatic and suitability factors. The tool offers benefits such as geo-analysis of demography risks on business, and identification of geographic patterns with a particular customer profile. It has the power to link multiple customer profiles, bank data, competitors, points of interest, soil/crop patterns, demographics to provide insights.

The enterprise GIS for insurance business can relate to customer profiles, business exposure, total insured value of a customer-profile across a particular demography/locality. It also offers competitive advantage to insurers by offering comparable profitability factors, trends, spotting customers affected by natural calamities and categorizing policies based on regional influences and factors.

ArcGIS system addresses questions that remain unanswered by a BI type system. The tool has been used by financial service providers. Citibank, Bank of America, American Express, Wells Fargo, Pioneer Investments, John Deere, and Rain and Mall Agricultural Insurance are few of the prominent organizations that have been using ArcGIS.

**MFIs can grow at 35% over 3 years**

ICRA estimates the potential size of the microfinance market at ₹2.8-3.4 trillion, against ₹1.1 trillion as of 30 September 2015. It estimates MFIs can grow at an annualized rate of 30-35% over the next 3 years. MFIs reported an impressive 27% growth during H1FY16 (48% growth in FY15). Excluding the MFIs admitted to corporate debt restructuring (CDR), the growth rate was even higher at around 45% annualized for H1FY16 and 62% in FY15.

Further, given that MFIs have the scope to lend another 15% of their portfolio towards non-qualifying (i.e., non-microfinance) loans, they could grow their microenterprise loans/micro-housing loans by an additional ₹400-500 billion. While the asset quality indicators for MFIs continue to hold, the segment remains vulnerable to political risks, increase in competitive pressures, expansion to newer geographies, marginal borrower profile and high employee attrition rate (25%) across the industry.

**₹22 bn required to support MFIs**

On the resources front, MFIs have been able to raise both debt and equity adequately. Overall equity infusion in MFIs increased by 231% from around ₹5.3 billion in 2013-14 to ₹17.4 billion in 2014-15. On the debt side, MFIs have been able to diversify their funding profile with a large number of MFIs raising funds from the debt market and the credit flow from banks improving. The softening of interest rates and shift in borrowings towards debt instruments led to a moderation of around 100-150 basis points in funding costs for MFIs. ICRA expects credit availability to remain good for MFIs in 2015-16.

The volume of external capital required to support MFIs (excluding Bandhan and 8 entities converting to small finance banks), for a CAGR of 30-40% over the next 3 years would be ₹9-22 billion (26%-67% of the existing net worth). Further, the in-principle SFB licensees would require ₹28-30 billion of domestic capital in the event of stake sale from foreign shareholders to domestic entities. This could increase significantly to ₹58-60 billion in case fresh equity is raised to reduce foreign shareholding.

As for profitability, the return on equity (ROE) for non-CDR MFIs (excluding Bandhan) improved from 15% in 2013-14 to 17% in 2014-15. With significant reduction in lending rates by major players, the ROE is likely to be at 15-17% for FY16 provided the credit costs remain under control.
Chikhli UCB marches ahead in drought prone zone

Satish Bhagawandas Gupta, chairman, Chikhli Urban Cooperative Bank, narrates the story of tough survival and hard-earned progress of the bank in the drought prone regions of Vidharbha and Marathwada in Maharashtra:

Chikhli is a small tehsil place in the Buldana district of Maharashtra. There are 5 cooperative banks and 60 cooperative credit societies in the tehsil. One of the cooperative banks, Chikhli Urban Cooperative Bank, has 16 branches. According to Satish Bhagawandas Gupta, chairman of the bank, the bank will add 3 new branches at Shivani (Akola), Washim and MIDC Waluj, Aurangabad. The bank has launched ATMs at all its 19 branches including 3 new branches. At present, the 19 branches of the bank have been working with the strength of 200 personnel. Honesty of staff members and their attachment with bank are the key factors of bank’s success.

Says Gupta: “We have been concentrating more on honesty, hard work, flexibility and human face of the banking as we are working in the cooperative sector in rural areas. Another aspect of our success is the encouraging nature of the top management.”

CUSTOMERS
At end of Q2 FY2015-16, the bank had 18,500 customers who formed its borrowers. Of the 150,000 depositors, most have been associated with the bank from its inception. Gupta says nowadays it is very difficult to increase the base of the customers as far as extending loan is concerned. The bank, he says, is trying to cross the magic figure of 20,000 customers for loans at the end of the current financial year.

The bank has decided to utilize its maximum resources for the development of the rural area of the state. Gupta says the bank believes in giving services typically to lower and middle class of the society in rural areas ensuring that the rural areas become strong as they form the base of the agrarian economy. In addition to banking services, the bank has been providing free life insurance to all its customers. Gupta also says the bank has a social agenda in that it is focusing on regeneration of rivers in the nearby areas.

WOMEN SHG
The bank has also started financing women self-help groups with its finance scheme. Says Gupta: “At present, we have financed about 6000 women under this scheme offering ₹10,000 to ₹1,00,000. Disbursement of loans to some 3000 more women are in the process, which will be completed by the end of this financial year. One significant aspect of the scheme is that there has not been a single case of default.”

BUSINESS
Chikhali UCB has been operational mostly in the drought prone Vidharbha and Marathwada regions of the state. During 2014-15, growth ratio for loans was 20.31% and for deposits 15.27%. Due to short fall in rain continuously for the last 4 to 5 years, agricultural productivity is very low and this has impacted the volume of deposits and advances. Gupta says: “But the plus point is that we are going towards our fixed goal of deposits of ₹780 crore. As the situation is very grim, it is very difficult to target quality customers for advances and naturally it affects the volume of advances. Still the bank is trying to achieve notable growth in advances.”

As far as sector-wise advances are concerned, the bank has distributed ₹35 crore to salaried people, ₹50 crore to small industries for various plants and machineries and ₹35 crore to agriculture based business and allied industries at the end of the financial year 2015. The bank has been trying to provide finance for each and every important sector. Agriculture, loans to salaried class and industrial finance are three top sectors, says Gupta,
adding that is why the bank has started two new branches in MIDC areas. To develop lending to agricultural sector, there are huge prospects for allied industries, such businesses are rapidly growing and the parties are waiting for finance.

“We also know that the salaried employees are in need of loans to avoid government taxation and it is advantageous to them. So it is one of the important sectors having huge prospects for the bank. We found that industries are growing day by day and small scale industries are targeted customers for us. To develop themselves they need finance so industrial finance is also having good prospects in near future,” says Gupta.

TECHNOLOGY

The bank has made its branches feasible for Aadhar based payment systems. It has also started IMPS. “Now, our saving accounts holders are eligible for receiving subsidies from central government as well as state government in their accounts. Ultimately, it helps us to develop our ratio of CASA and low cost deposits. We will be very strong in IMPS in the coming 12 months,” says Gupta.

The bank is using CBS provided by InfrasoftTech. Earlier, it had used Bankers G from Mumbai. At present, 10 persons are working in its IT infra team and IT applications team.

Gupta adds: “We are using machines provided by NCR as we are in the process of introducing EMV compliant ATM cards. We record about 80 to 90 transactions per ATM per day. We have our own security systems and guards at ATM centers in the shift of 8 hours each.”

NPA

The bank’s gross NPA as on 31 March 2015 was 4.77% and net NPA 2.38 % of total advances. Low agricultural productivity for the last 4 years continuously has increased the NPAs. Gupta says at the end of Q2 of FY 2015-16, the bank has reduced the NPAs from ₹20 crore to ₹5 crore. The bank is still a UCB with FSWM (financially sound and well managed) criteria of Reserve Bank of India. Gupta proposes to reach nil NPA stage when agricultural productivity recovers in the coming months.

Gupta concludes: “With the cooperation our customers receive I am sure they will never switch to any other bank. The roots of cooperative banks are in rural areas and no one can remove these banks easily as 70% population of the country resides in rural areas.”

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