



NIBM

NEWSLETTER

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Dear Reader,

A new financial year has started and I expect many exciting developments ahead. In the meantime, we are happy to present to you the April 2019 edition of NIBM's Newsletter, sharing our Institute's achievements for the last quarter of FY 2018-19; discussing a few major events that played out in the Indian financial markets; and giving you a snapshot of NIBM's planned training activities for the next quarter.

With warm regards,
Dr. KL Dhingra

NIBM Events



Women's Day on 8th March was celebrated at NIBM by all the faculty, staff and international and domestic and international programme participants. Dr S V Kuvalekar made an inspiring speech, which was followed by a cake-cutting ceremony and high-tea. All the ladies received a rose on this occasion.



The festival of Holi brought together the NIBM family for a colourful, fun-filled morning.

Following the visit of Dr K L Dhingra and Dr S V Kuvalekar to Nepal in November 2018, NIBM's relationship with the Banks in Nepal continues to strengthen. Mr. Devendra Pratap Shah, CEO, Nepal Bank Ltd., was hosted by NIBM during Feb 2-6, 2019.



Dr K L Dhingra and his wife Dr (Mrs.) Neelam Dhingra are now included in the India Book of Records and World Book of Records as being the "First Couple conferred with doctorate degree on the same day". This achievement has received wide publicity in the Times News Network, including Hindustan Times.



NIBM's Executive Training Programmes and Conferences

NIBM's Training Activity for AY 2018-19

In the Academic Year 2018-19, NIBM has offered 192 training programmes in diverse areas of banking and finance attended by 3922 participants of which 27 percent participants were from overseas.

Record High International Participants

In 2018-19, NIBM has achieved a record high of 1064 international participants, representing 153 Central Banks, commercial banks, financial institutions, government departments and universities from 51 countries, including those from SAARC, Middle East, South East Asia, East Asia, West Africa, East Africa, Commonwealth of Independent States and Central American countries. This constitutes a 145 percent increase over the last five years. This achievement was reported both in the Hindustan Times and Times of India (April 4, 2019).



International Programme in Banking and Finance
(Focus: Credit Management and International Trade Financing),
March 4-16, 2019, No. of Participants – 29

National Summit on Infrastructure Finance: Opportunities and Challenges



A national summit, in collaboration with Assocham, was organized at National Institute of Bank Management on the 29th of January 2019. The theme was Infrastructure Finance: Opportunities and Challenges. A Knowledge Report, consisting of papers by industry leaders, NIBM faculty members and academicians from reputed educational institutions, was released on this occasion. The Chief Guest, for the event, was Shri. Anand Sinha, former Deputy Governor (RBI). Other distinguished speakers included Shri. P.K. Gupta, MD (SBI), Shri S.R. Bansal, former MD and CEO, Corporation Bank and Shri Rakesh Bhutoria, CEO, Srei Infrastructure Finance Limited.

Panel discussions on (i) Alternative sources of financing (ii) Recent developments in the infrastructure sector and (iii) Impact of IBC on stressed infrastructure projects, were also held during the summit. Senior and top executives from banks, FIs, regulatory bodies, credit rating agencies and law firms as well as academic experts shared their views on these issues. The function was attended by practitioners, faculty members and students from reputed B-schools in Pune and Mumbai.



NIBM's Certification Programme on IT and Cyber Security for Board Members and Top Management of Banks

The RBI has mandated Banks' Board Members, Senior Management and CXOs to undergo training and certification on IT and Cyber Security to enhance management's awareness in this area. NIBM has initiated such Certification Programmes, two of which were successfully conducted recently – the programme for Axis Bank Board Members and Senior Management and the programme for UCO Bank Senior Management.



NIBM's E-Certification Initiatives

E-certification Courses for SFBs and Payment Banks

NIBM has recently launched customised e-certification courses on banking operations and managements exclusively for Small Finance Banks and Payment Banks. Out of the eleven institutions identified by IBA, NIBM is the only institution to cater to the training and capacity building needs of these differentiated banks.



PGDM Achievements and Events

100 Percent Placement of PGDM Students

In keeping with its proud tradition, NIBM has achieved a 100 percent placement of the 2017-19 batch of PGDM (Banking and Financial Services). A total of 88 students have been placed across 22 organisations in the BFSI sector. The average package is Rs 9.40 Lakhs per annum.

Adhikosh – The Annual Students' Fest



NIBM organized its first ever annual students' fest ADHIKOSH on 9-10 March 2019. There were eight events for which we had over 1,50,000 views and received registrations from 2,387 students of different colleges all over India. 80 students from various colleges were hosted for the On-Campus round in addition to 210 students of NIBM. The Fest was inaugurated by Ms Anshula Kant, Manager Director of State Bank of India and Mr Ajith Kumar Rath, Executive Director of Andhra Bank. Many dignitaries from various organizations too participated in the Fest as speakers, judges and panelists.

ADHIKOSH was sponsored by State Bank of India, Andhra Bank and Bank of Maharashtra as Title Sponsor, Co-Sponsor and Associate Sponsor respectively.

Validation of Framework, Systems and Models used in Risk Management Department of Syndicate Bank



The Consultancy report on this project was submitted by NIBM to the Bank on 15th March 2019. The study was an exhaustive analysis of the risk management methods, processes and policies of the Bank, benchmarked to regulatory requirements and industry best practices.

The validation exercise covered rigorous qualitative and quantitative analysis. It vetted various risk policies of the bank, risk models, RAROC and loan pricing framework, IFRS 9 ECL framework and capital adequacy computation framework.

The consultancy team comprised of Dr. Arindam Bandyopadhyay, Prof. Sanjay Basu, Dr. Tasneem Chherawala, Dr. K L Dhingra and two industry experts.

News Snippets from the Indian Financial Markets

- Jan 21, 2019: LIC completed the acquisition of 51 percent controlling stake in IDBI Bank, making it the lender's majority shareholder. As a consequence, the RBI has classified IDBI Bank as a private sector bank. Meanwhile, IDBI Bank continued to post widening NPA related losses in the third quarter of FY 2018-19.
- India's GDP growth forecast for 2019-20 has been pared down to 7.2 per cent from the earlier estimate of 7.4 percent by various Multilateral Development Banks like The International Monetary Fund (IMF), World Bank and Asian Development Bank (ADB) along with the Reserve Bank of India. Uncertainty in global economic outlook and probability of El Nino effects on monsoons are possible causes.
- The RBI, in its first bi-monthly meeting of the Monetary Policy Committee on 4th April, 2019, reduced the repo rate by 25 basis points, bringing it to 6%. The rate cut is in consonance of achieving the medium term objective of maintaining inflation at the 4 percent level, while supporting growth.
- In March 2019, Power Finance Corporation (PFC) completed the buyout of the PSU Rural Electrification Corporation (REC) at the price of Rs. 14,500 crores. The merged entity will become a mega financial institution.
- Out of the 11 PSBs which were placed under the Prompt Corrective Action Framework, the RBI, after reviewing their performance, has removed five Banks – Bank of India, Bank of Maharashtra, Oriental Bank of Commerce, Allahabad Bank and Corporation Bank out of the PCA framework. Dhanalaxmi Bank, the sole private bank under PCA, has also been brought out. Lending and branch expansion constraints placed on these banks have thus been removed.

Developments in The Indian Financial Markets

Professor Tasneem Chherawala and Professor Sanjay Basu

Union Budget 2019-20

The highlight of the Interim budget 2019-20 is its focus on agriculture and MSMEs. It announced the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) scheme, which provides a guaranteed income of Rs. 6000/- p.a. to twelve crore small and marginal farmers. An interest subvention of 2% was announced for farmers affected by natural calamities, for the entire period of loan reschedulement, and those associated with animal husbandry and fisheries. An additional 3% rebate will be given for timely loan repayment. A 2% interest subsidy will also be provided to MSMEs, on an incremental loan of Rs. 1 cr., for GST-registered firms. The sourcing requirement for government enterprises, from SMEs, was increased to 25%, of which at least 3% should be from women-led SMEs. A pension of Rs. 3000/- p.m., for ten crore unorganized workers, was also announced.



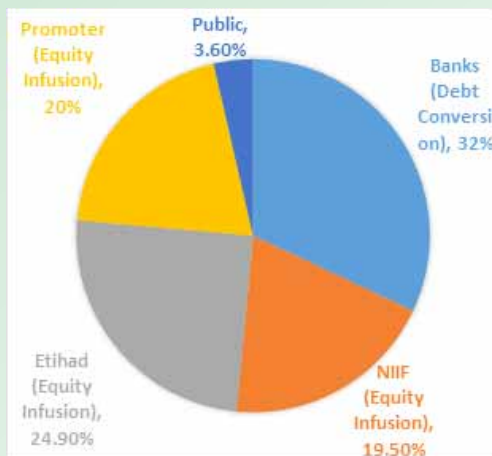
While it is expected that the tilt of the budget would be populist, in an election year, the measures are also based on sound economic logic. First, since the estimated fiscal deficit in 2018-19 (3.4%) is close to the target (3%), the government can afford to spend big on the social sector. Secondly, in order to sustain high growth (7.2% approx. in 2018-19), low-inflation (CPI estimated @ 3.7% in 2018-19) and record foodgrain production (284.8 million tonnes in 2017-18), it is essential to hedge the impact of agricultural supply shocks. This is the goal of the PM-Kisan scheme and interest subsidies to farmers. Thirdly, the MSME subvention scheme is now focussed, like the Interest Equalization scheme (2015) on Export Credit. Earlier subsidy schemes benefited large borrowers, because they were not targeted at MSMEs. All these proposals will not only increase rural demand and GST compliance, but also make economic growth more inclusive. India cannot shine if Bharat lags behind.

Jet Airways Bailout

Within a decade of the collapse of Kingfisher Airlines, the Indian aviation sector saw another major airline, Jet Airways, come under stress as it defaulted on its debt repayment dues on end-December 2018 to a consortium of SBI-led banks. The Rs. 10,963 crores fund and non-fund based debt downgraded to D rating and stock price fell by 6.16 percent. The lenders, spurred by the February 2018 circular of RBI, took timely cognizance of the stress and started the resolution discussions with the Jet Airways chairman-founder Mr. Naresh Goyal and the 24% strategic partner Etihad Airways.



The bank-led provisional resolution plan, which was cast in February 2019, involved conversion of part of the bank debt to 11.4 crores shares at Rs. 1.00; equity investment by the Government's NIIF; equity infusion of by Etihad and by the promoter Mr. Goyal, who will relinquish his Board position; restructuring of remaining debt into long-term facilities repayable over 10 years; sale and lease back of aircraft to pare down the aircraft finance; and, interim credit by the lender consortium. This bailout will change the shareholding pattern to the one given in the following diagram.



An important parallel to highlight at this point is the Rs. 8000 crores Debt Recast Package that Indian banks had designed for Kingfisher Airlines in 2010, which also involved conversion of debt to equity, rescheduling of debt into long term loans and additional fund and non-fund based credit by lenders; none of which helped, as the Airline ultimately closed operations in October 2012.

That Jet Airways woes are far from over is obvious when, as recently as March 28, 2019, it missed payments on Rs. 109 crore external commercial borrowing taken from HSBC and more of its domestic flying routes continued to be cancelled. Thus, it seems that the debt re-jig and fresh equity infusion may provide only a temporary relief to the company and a face-saver to the government during the election year. However, banks cannot run an airline even if they own it on paper! What may be required to avert a crash landing, is a strong strategic partner, with expertise in the aviation sector, to revamp the airline's operations for facing the challenges of this sector going forward.

Developments in The Indian Financial Markets

Professor Tasneem Chherawala and Professor Sanjay Basu

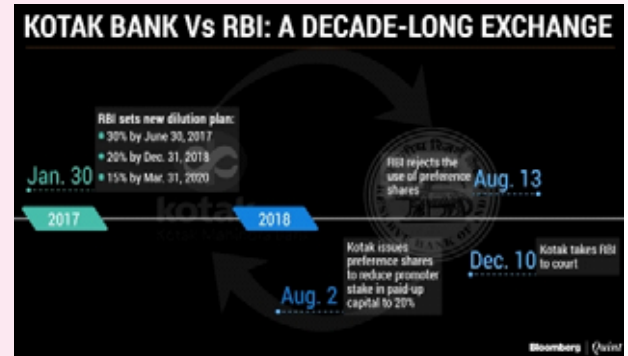
RBI versus Kotak Mahindra Bank on Dilution of Promoter Stake

A series of correspondences over the last decade, wherein the RBI demanded a reduction in promoter shareholding based on its February 28, 2005 Guidelines on Ownership and Governance in Private Sector Banks and Kotak Mahindra Bank continued to defy the same, have culminated in a first time legal battle between the regulator and the private bank in Mumbai High Court. Tussles on similar grounds had arisen between RBI and two other private sector Banks – Bandhan Bank and Yes Bank in the recent past, but in both instances, the promoters fell in line with the regulatory requirements.

In the instance of Kotak Mahindra Bank, despite repeated reminders and extensions of deadlines by RBI, the Bank has failed to comply. The trigger which ultimately led to the courtroom standoff was when RBI rejected the Bank's proposal of issuing perpetual non-cumulative preference shares (PNCPS) as a means of dilution of promoter stake.

The crux of the debate hinges on the letter of the law versus the spirit in which the RBI guidelines have been issued. While there are ambiguities in terms of the specific type of capital holding which should be reduced, the broad principle of the RBI guidelines focusses on diversification of ownership and control of private banks in order to ensure sound corporate governance. PNCPS constitute part of paid-up capital but do not carry voting rights. Thus, issuance of such securities can lead to dilution of financial stake to a limited extent, but not control. It seems from Kotak's stand that the Bank is willing to give up one or the other but not both and is thus seeking to find loopholes in the RBI guidelines to support their actions.

While there is no doubt that Kotak Mahindra Bank is a well-run bank as reflected in its market capitalization being equal to that of the much bigger ICICI Bank, one cannot question the need for regulatory oversight on governance in the banking sector. Neither can one expect the regulator to take a case-by-case view of the conflict of interest that may arise from concentration of control in banks. Compliance with general RBI directives is a requirement of all banks, and Kotak Mahindra Bank should not be an exception.



L&T's Hostile Takeover Bid for Mindtree

On the 26th of March 2019, L&T announced that it will make an open offer to the public shareholders of mid-tier IT services company Mindtree, at Rs. 980/- per share, for 31% shares. The offer will start on May 14 and close on May 27. L&T plans to acquire 5.13 crore shares, for a total outlay of Rs. 5030 Cr. The successful completion of the exercise will give L&T a controlling stake in Mindtree, since it has already bought 20.4% of shares from Mr. VG Siddhartha, a founding promoter of the company, at the same price. As the other three founders and employees of Mindtree are opposed to the deal, the bid is a hostile one. It attempted a share buyback, but due to paucity of cash reserves and SEBI restrictions after the announcement of a takeover bid, the plan was shelved. Instead, it has formed a Committee of Independent Directors (IDC) to evaluate the L&T offer and advise public shareholders.



Only time will tell how the tale of the first hostile takeover bid in India spins out. However, the timing of the bid also arouses curiosity. It may have been motivated by the sharp fall in Mindtree share prices, between September 2018

(from above Rs. 1100/-) and March 2019 (to around Rs. 900/-). The offer price (of Rs. 980/-) may represent a win-win situation for both public shareholders of Mindtree (a long put option) and L&T (low acquisition cost). However, banking industry consolidation appears to be a stronger reason, for the bid. The BFSI sector is the biggest client of the IT-services firms in India. As more banks merge with each other, in the near future, the scope of business (even if scale remains the same) may not be large enough for too many mid-tier IT firms to survive. Hence, L&T may want to acquire and merge Mindtree with its own subsidiary, L&T Infotech. Other IT services firms may also follow suit, with their own M&A strategies. Let's wait and watch what happens.

The Changing Role of the Branch Manager

Dr. Kaushik Mukerjee, Associate Professor, NIBM

A recent report titled 'Operations and Performance of Commercial Banks' published by the Reserve Bank of India shows that the share of NBFCs in total credit extended has increased from around 9.4% in March 2009 to more than 17% by March 2018. On the other hand a report published by EY titled 'Banking in emerging markets' explains that there is huge untapped opportunity that commercial banks need to leverage in order to stay profitable and serve the growing banking needs of customers. While the commercial banks' credit offtake has increased, the share is showing a downward trend. The time has come for us to accept the fact that the way that banking has traditionally been undertaken has undergone a sea change during the recent past. What has worked well in the past will not yield good results going forward. Therefore there is the need for transforming the bank branches.

In the face of unprecedented competition from private sector entities like fintech companies, payment banks, non-banking finance companies, retailers and mobile phone services, the branch managers in commercial banks will require to adopt a radically different approach. Various reports and studies have suggested that the bank branches need to adopt a more customer-centric approach to ensure loyalty and extend the share of wallet of customers. Also, technology-enabled multi-channel management can help bank branches to ensure a smoother experience for customers while lowering the transaction costs for the banks. The role of branch employees has also become crucial in changing times. Branch managers will require to foster greater teamwork and ensure higher performance levels through enhanced employee engagement. In these challenging times, the branch managers are required to don multiple hats and deliver on several fronts. Branch heads are expected to adopt a customer-oriented approach in banking, managing profitability and operational excellence in branch operations, interpreting credit decisions and even undertake credit monitoring, ensure adherence to the compliance and vigilance norms, manage the operational risk in the branches, promote the usage of alternate delivery channels, meeting the priority sector targets, promote teamwork among employees etc.

NIBM offers several programmes that are targeted at branch managers of commercial banks with intensive inputs on all aspects of branch management. One such programme 'Branch Manager's Programme' is scheduled from 19th to 22nd August, 2019.





NIBM Training Programmes

May 2019 – June 2019

No.	Title	Duration	From	To	Target Group	Coordinators
May						
1	Programme on Contours of Staff Accountability	3 Days	02/05/2019	04/05/2019	Middle & Senior Management	Shomi Srivastava
2	Programme on Stabilizing the Business Model in Small Finance Banks	2 Days	03/05/2019	04/05/2019	Middle Management	Anjan Roy
3	Programme on Customer Relationship Management in Banking	4 Days	06/05/2019	09/05/2019	Middle & Senior Level Managers	Sarita Bhatnagar
4	Programme on Lending to Large and Mid-Corporate	5 Days	13/05/2019	17/05/2019	Middle Management	Richa Verma Bajaj & M Manickaraj
5	Programme on NRI Business and Forex Facilities for Individuals	4 Days	13/05/2019	16/05/2019	Middle & Senior Management	G Nagaraju & Jayant Keskar
6	Programme on Term Loan and Working Capital Finance for Agri & Rural Infrastructure, Agribusiness and Agro Processing Enterprises	4 Days	13/05/2019	16/05/2019	Middle & Senior Management	Naveen Kumar K
7	International Programme on Digital Payments in Collaboration with NITI Aayog, GOI	4 Days	15/05/2019	18/05/2019	Middle & Senior Management	Deepakar Roy & Alka Vaidya
8	Certified Bank Trainer Programme Jointly with IIBF	5 Days	20/05/2019	24/05/2019	Trainers	Shomi Srivastava & Naveen Kumar
9	Workshop on Options and Structured Products (Focus: Structuring, Back-office Operations, and Risk Management)	3 Days	24/05/2019	26/05/2019	Middle Management	Kedar nath Mukherjee & Tasneem Chherawala
10	Programme on Credit Risk Modelling for ECL Provisioning and Capital Estimation under Final Basel III and IFRS 09	5 Days	27/05/2019	31/05/2019	Middle & Senior Management	Arindam Bandyopadhyay & Tasneem Chherawala
11	Programme on Branch Business Management (Focus: Semi-Urban and Rural Areas)	3 Days	29/05/2019	31/05/2019	Middle Management	Dinesh Jain
12	Onlocation Programme in Financing Hi-tech Agriculture, Agro Processing and MSMEs (Venue: Cochin)	3 Days	29/05/2019	31/05/2019	Middle & Senior Management	Naveen Kumar
June						
1	Programme on Cyber Security Certification for Senior Management of Banks	2 Days	03/06/2019	04/06/2019	Middle & Senior Management	Alka Vaidya & Deepankar Roy
2	Programme on Fundamental Factors for Treasury and Risk Management	3 Days	07/06/2019	09/06/2019	Junior, Middle & Senior Management	G Nagaraju & Jiji Mathew
3	Programme on Trade Based Money Laundering and Frauds in International Business	2 Days	10/06/2019	11/06/2019	Middle Management	Jayant Keskar & Smita Roy Trivedi
4	R for Data Science and Machine Learning in Banking	4 Days	10/06/2019	13/06/2019	Middle Management	Ateeque Shaikh
5	Programme on Digital Marketing in Banking	3 Days	10/06/2019	12/06/2019	Middle & Senior Management	Sarita Bhatnagar & Deepankar Roy
6	Programme on Emerging Trends and Strategies for Deposit Mobilization.	5 Days	10/06/2019	14/06/2019	Middle & Senior Management	Anjan Roy
7	Programme on Credit Analysis (Focus: Lending to Manufacturing and Services Sector)	10 Days	10/06/2019	19/06/2019	Junior & Middle Management	Elizabeth James & Richa Verma Bajaj
8	Workshop on Setting Business Strategy under Challenging Market Condition	3 Days	13/06/2019	15/06/2019	Middle & Senior Management	Arindam Bandyopadhyay & Tasneem Chherawala
9	Programme in Corporate Governance in Banks - Emerging Paradigms	2 Days	13/06/2019	14/06/2019	Senior & Top Management	Kaushik Mukherjee & B V Chaubal
10	Programme on Foreign Exchange Business	5 Days	17/06/2019	21/06/2019	Middle & Senior Management	Jiji Mathew & G Nagaraju
11	Programme on Retail Lending Strategies for Branch Managers	5 Days	24/06/2019	28/06/2019	Middle & Senior Management	Ateeque Shaikh & Elizabeth James
12	Programme on Marketing for Branch Managers - Focus: Retail and MSME	4 Days	24/06/2019	27/06/2019	Middle Management	Sarita Bhatnagar
13	Sensitization Programme on Fraud Management	3 Days	26/06/2019	28/06/2019	Middle & Senior Management	Richa Verma Bajaj & Dipali Krishnakumar
14	Programme on Treasury Products, Operations and Risk Management for Newly Inducted Treasury Officers (Focus: Bourse Game in Money Securities & FX Markets)	10 Days	26/06/2019	05/07/2019	Middle Management	Kedar nath Mukherjee & S V Kuvalekar

For more details please visit www.nibmindia.org