

₹85/-



A leading monthly journal on Banking & Finance

Banking Finance

VOL. XXXIII NO. 12 DECEMBER 2020 ISSN-0971-4498



In this issue

Farmer Producer Organisations (Fpos) - An avenue for financing to farmers

Farm Amendment Bill 2020 and its pros and cons.

Mergers and Acquisition - A conceptual deliberation in Indian Context

Net Stable Funding Ratio (NSFR)

Covid - Corporate Debtor - Central Bank



Join RMAI Online

Certificate Course on Risk Management

Visit www.rmaindia.org/courses for details



"As part of our partnership with Airtel Payments Bank and strong synergies of customer-centricity, we are offering innovative motor insurance products to its customers through a seamless journey from the purchase to the claim process."

Sanjeev Srinivasan
Managing Director & CEO
Bharti AXA General Insurance



"Ideally by December, if not by March 31, 2021, every account should have a PAN where needed and applicable and Aadhaar in every case."

Nirmala Sitharaman
Union Finance Minister



RISK MANAGEMENT ASSOCIATION OF INDIA

Registered Under Societies Registration Act- 1961 Vide Registration No.S/73835 (WB)
A Non Profit Organisation Engaged in Promotion of Risk Management Discipline in India

Risk Management has assumed great significance in the global economic scenario. More and more companies are recognising the need of implementing the concept in their organisation. Most of the insured's are ignorant about the importance of this vital aspect.

However in India though the importance of Risk Management has been recognized but no concrete step has been taken to establish it as integral part of activity so that risks may be perceived in advance and suitable measures be taken to avoid it.

The Risk Management Association of India was founded in the year 1993 with a view to promote the concept of Risk Management.

Recognising the need of the hour Risk Management Association was promoted by The Insurance Times group to create a platform for Insurer's, Risk Managers, Brokers, Intermediaries, Insurance Managers in Corporate bodies so that they may come together and share and exchange their views to spread the concept of Risk Management.

Membership Benefits :

- Get a Membership Certificate and ID card
- Get Quarterly news bulletin of RMAI
- Free Copy of book Risk Management Principles & Practice worth 475 plus courier charges
- Free One year Subscription of The Insurance Times magazine
- Get access to Online Resources on our Website - Research Reports, Articles, Videos, Casestudy etc
- Exchange news/views on Risk Management through our FORUM
- Contribute/share case study on Risk Management
- Get access to International developments on Risk Management
- Join our certification courses in collaboration with International Institutes.
- Discount on participation in conferences/seminars
- Attend online Webinars
- Participate in Research Activities
- Other benefits
- FREE One Year RiskSpotlight Portal Subscription For RMAI Members - RiskSpotlight Portal Gold service (Priced at £249 + VAT).

For details Contact

Secretary General,

RISK MANAGEMENT ASSOCIATION OF INDIA

25/1, Baranashi Ghosh Street, Kolkata - 700 007. India,

Phone : 033 2218 4184, 033 4007 8378

Email : info@rmaindia.org, Website : www.rmaindia.org

BANKING FINANCE

A LEADING MONTHLY JOURNAL ON BANKING & FINANCE



VOL. XXXIII NO. 12
December 2020, ISSN - 0971-4498



Editor-in-Chief
Ram Gopal Agarwala
B.Com, LLB, FCA.



Editor
CA Rakesh Agarwal
M.Com (BIM), FCA, DISA, LLB,
FIII, PGJMC, MBA, FRMAI, PhD



Associate Editor
Shyam Agarwal
M.Com (BIM), FCA, DISA, DIRM,
CCA, FIII, PGJMC, PGDMM

Editorial Advisory Board

Dr. B. K. Jha
Dr. K. C. Arora
Prof. (Dr.) Abhijeet K. Chatteraj
Mr. Sourav Chandra

Resident Editor

K. L. Madhok, New Delhi
V. K. Agarwal, Agra
Shaik Gulam Afzal Biya Bani, Saudi Arabia
Amitabh Chatteraj, Bangalore
Kalyan Jagnani, Mumbai
Shivkumar K Y, Pune

Correspondence Address

25/1, Baranashi Ghosh Street,
Kolkata- 700007, India
Phone : 033-2269-6035/4007-8428
E-mail : insurance.kolkata@gmail.com
Website : www.sashipublications.com
Portal: www.bankingfinance.in

Registered Office

31/1, Sadananda Road, P.S. Kalighat,
Kolkata -700 026, India

Single Copy ₹ 85/-
Annual Subscription ₹ 990/- (Ord.) / ₹ 1340/- (Regd.)
Foreign air mail US\$ 125
3 years subscription ₹ 2040/-
5 years subscription ₹ 3060/-

All the payment must be made by DD favouring
BANKING FINANCE payable at Kolkata, India.

Please do not make any cash payment for
journal/books to any person representing **BANKING
FINANCE** and we shall not be responsible for the cash
payments.

The contents of this journal are copyright of **BANKING
FINANCE** whose permission is necessary for
reproduction in whole or in part. The views expressed
by contributors or reviewers in this journal do not
necessarily reflect the opinion of **BANKING FINANCE**
and the Journal can not be held responsible for them.
All disputes subject to Kolkata jurisdiction only.

Publisher Sushil Kumar Agarwala, 31/1, Sadananda
Road, P.S. Kalighat, Kolkata -700 026, India. Printed by
Satyajug Employee Co Operative Industrial Ltd, 13,
Prafulla Sarkar Street, Kolkata - 700 072.

From The Desk Of Editor-in-Chief

The Covid-19 pandemic has made macroeconomic management significantly more difficult. India is now facing a problem of plenty of Foreign exchange management. Rupee has been getting stronger vis-a vis dollar. The situation has improved due to less import in comparisons to export as well as cheaper import of crude oil from overseas.

Stock Market in India is reaching new heights inspite of the Covid situation and volatile economy. The BSE sensex is hovering around 44000 and NSE around 13000. It is quite amusing that in such a tepid situation where there is huge distress in economy, rising unemployment, bad shape of manufacturing, services sector the sensex is having no impact. Regulators must closely watch the market movements for any adverse scenario.

GST collection is improving since October, 2020 which is now around 1 lac crore. The collection will improve further as the economy comes back on track and the covid situation improves.

It has been suggested that Covid will lead to huge NPA's in banks due to loan defaults. But till now the situation does not seem to be very bad and in quite control. Banks should also understand the difficulty of borrowers and give them sufficient time to recoup from the situation.

Cooperative Banks in the country must be closely monitored by RBI. The Cooperative Banks off late has been in the news for wrong reasons for some time now. RBI must ensure independence in running of the banks and put more stringent checks and control on activities.

Contents

News

- 05 Banking
- 10 RBI
- 13 Industry
- 18 Mutual Fund
- 21 Co-Operative Bank
- 23 Legal
- 25 Press Release

03 Editorial

Features

- 49 Reverse charge system in GST, a grey area
- 50 Four years since demonetisation: Cash in system steadily rising
- 51 RMAI Certificate Course on Risk Management
- 53 RBI Circular
- 55 Statistics

Articles

- 27 Farmer Producer Organisations (Fpos) - An avenue for financing to farmers
J. Rajesh Kumar
- 31 Farm Amendment Bill 2020 and its pros and cons.
Rajeev Kumar
- 33 Mergers and Acquisition - A conceptual deliberation in Indian Context
Rakesh Bhootda
- 38 Net Stable Funding Ratio (NSFR)
Manish Kumar
- 46 Covid - Corporate Debtor - Central Bank
Pratish Kumar, Saurabh Sharma & Karan Abichandani

COVID - CORPORATE DEBTOR - CENTRAL BANK



Introduction

The Reserve Bank of India (the “RBI”) being the Central Bank has been trying to shield the borrowers from the effect of Covid-19 since the beginning of the pandemic by announcing several measures to mitigate the immediate impact on various sectors. One of the first set of measures announced by the RBI were the introduction of moratorium period of 6 (six) months in repayment of the borrowings to alleviate the immediate financial stress on the borrowers.

The aforesaid moratorium ended on 31st August 2020. To further ease the financial difficulties of the borrowers and keeping the Covid-19 affected borrowers outside the ambit of Non-Performing Assets (“NPA”), the RBI introduced a one-time window by issuing a circular on Resolution Framework for COVID-19 related stress dated 6th August 2020 (the “Covid Framework”).

Covid Framework

Under the Covid Framework, the lending institutions have been allowed to restructure a loan in respect of corporate exposures and personal loans which are under stress due to COVID-19. Banks are allowed to keep the asset standard even if there is no change of ownership.

¹ Date on which both the borrower and lending institution have agreed to proceed with a resolution plan under the Covid Framework. If there are multiple lenders to the borrower, the resolution process shall be treated as invoked if lenders representing 75 percent by value of the total outstanding credit facilities (fund based as well non-fund based), and not less than 60 percent of lenders by number agree to invoke the same.

About the author



Pratish Kumar
Equity Partner
Juris Corp



Saurabh Sharma
Principal Associate
Juris Corp



Karan Abichandani
Associate
Juris Corp

Key points for corporates and their financiers

Sr. No.	Particulars	Responses
1)	Beneficiary	Borrower account which were classified as standard, but not in default for more than 30 days as on 1st March 2020 and continue to remain standard till the invocation date ¹ .
2)	Applicability	All the exposures of Commercial Banks, Specific Categories of Co-operative Banks, All-India Financial Institutions and Non-Banking Financial Companies (including Housing Finance Companies).
3)	Resolution Plan ("RP")	<ul style="list-style-type: none"> (a) Sanctioning of additional credit facilities; (b) Extension of the residual tenor of the loan even with moratorium up to two years; (c) Conversion of a portion of the debt into equity or other marketable, non-convertible debt securities; (d) Any other mode permissible in prudential framework; and (e) No compromise settlements.
4)	Timelines/Period	<p>Timelines</p> <ul style="list-style-type: none"> (a) Invocation Date: Latest by 31st December 2020; (b) Implementation Date (of RP): Within 180 days from the date of Invocation; and (c) Signing of ICA (in case of multiple lenders): Within 30 days of Invocation Date. <p>Period</p> <ul style="list-style-type: none"> (a) Monitoring period: From the implementation date till the borrower pays 10% of the residual debt, subject to a minimum of 1 year from the date of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium; and (b) Review Period: It is a period of 30 days which gets triggered on default of the borrower during the monitoring period.
5)	Asset Classification	<ul style="list-style-type: none"> (a) On successful implementation of the RP within the timelines, the borrowers' accounts shall remain standard or upgraded as standard (if slipped to NPA during implementation); and (b) Post implementation of RP, if the borrower is in default at the end of the Review Period, the asset classification of the borrower with all lending institutions shall be downgraded to NPA from the implementation date or the date from which the borrower had been classified as NPA before implementation of the RP, whichever is earlier.
6)	Provisioning	<ul style="list-style-type: none"> (a) Timely execution of ICA: Provisions as per the extant IRAC norms immediately before implementation, or 10% of the total debt post implementation of the RP (residual debt). (b) Delay in execution of ICA: The provisions required as per extant IRAC norms or provisions of 20% of the debt on their books as on the date after expiry of 30 days (carrying debt), whichever is higher.

Sr. No.	Particulars	Responses
7)	Breach of Timelines	On breach of timelines, resolution process ceases to apply immediately. Any resolution plan implemented in breach of the above stipulated timelines shall go back under the prudential framework, or the relevant instructions as applicable to specific category of lending institutions as if the resolution window was never invoked.

Supreme Court in Action

- 1) Several writ petitions were filled before the Supreme Court of India ("SC") since the beginning of the lockdown in March 2020, challenging various measures announced by the RBI to mitigate the immediate impact on various sectors in the wake of Covid-19.
- 2) An interim order was passed by the SC in September 2020, directing that all the accounts which were standard as on 31st August 2020 shall not be declared NPA till further orders, which is still continuing.
- 3) The Central Government in its response before SC stated that they are willing to waive off interest on interest (compound interest) applied during the period of 6 months moratorium, for inter alia all retail and MSME loans of up to INR 2 crores (Indian Rupees Two Crores only). Pursuant to the above, the Ministry of Finance has issued a scheme dated 23rd October 2020, whereby they have directed the financial institutions to credit the difference between the compound interest and simple interest for the six month moratorium period between 1st March 2020 and 31st August 2020 into the eligible loan accounts by 5th November 2020.
- 4) The RBI has also urged to SC:
 - a) to vacate the stay imposed by its interim order against classification of accounts as NPAs; and
 - b) not to extend the period of loan moratorium as extending the loan moratorium for further 6 (six) months will have an impact on the credit behaviour of the borrowers.

Conclusion

Indian central bank has made some welcome policy changes by giving timely moratorium and creating a restructuring window for pandemic hit borrower accounts. However, in this phase of restrictive mobility it is still unclear that whether the timelines provided to avail the benefit can be met. It will definitely be a task for the RBI to achieve the balance between the well being of the banks and debtor in difficult times. We are hopeful that RBI might consider some further relaxations in the parameters of Covid Framework to make it workable for all the market participants.

Disclaimer:

The author(s) and the Firm hereby expressly disclaims any and all claims, losses, damages, adversity in any of its form whether financial or otherwise arising to the reader or user of this note. □

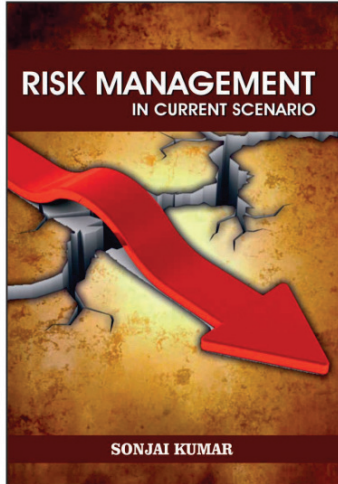
Date for availing direct tax dispute resolution scheme till Dec 31

The government has extended the last date for availing the direct tax dispute resolution scheme till December 31, 2020, the finance ministry notified. Taxpayers willing to settle their tax disputes under the Direct Tax Vivad se Vishwas Act can file their declarations till December 31, and will be mandated to pay the settled tax amount by March 31, 2021, with a complete waiver of interest and penalty. After April 1, 2021, a 10% higher amount will have to be paid.

Further, where arrears relate to disputed interest or penalty only, then 25% of the amount is to be paid by March 31, 2021 and 30% after April 1, 2021. The extension has been provided "in order to provide further relief to the taxpayers desirous of settling disputes under the scheme," the Central Board of Direct Taxes (CBDT) said.

Finance secretary Ajay Bhushan Pandey has asked tax officials to expedite the Scheme which, he said, is highly beneficial to the taxpayers, after reviewing the progress made so far by the income tax department on the scheme in a high level meeting. "We need to advance the Vivad se Vishwas Scheme with greater persuasion and perseverance and must reach out to the taxpayers to facilitate all necessary handholding," he said.

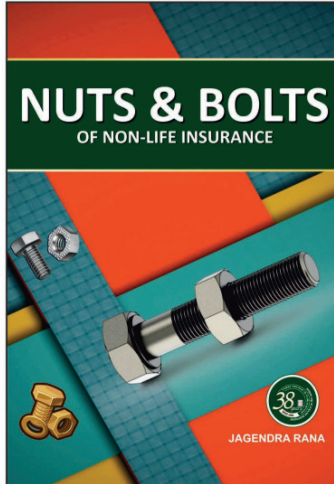
New Book Releases



Risk Management in Current Scenario

The book is priced at Rs.399

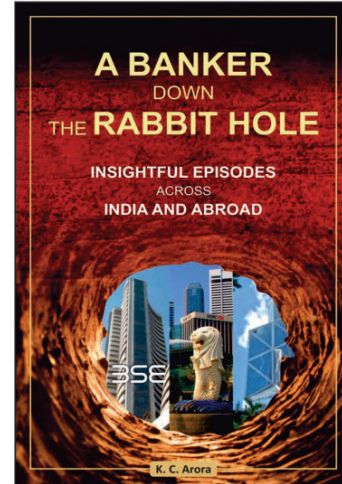
***Plus Rs.56 courier charges**



NUTS & BOLTS OF NON-LIFE INSURANCE

The book is priced at Rs.399

***Plus Rs.61 courier charges**



A Banker Down the Rabbit Hole

The book is priced at Rs.399

***Plus Rs.60 courier charges**

Payment Options :

1. By Demand Draft / Payable at par cheque in favour of "SASHI PUBLICATIONS PRIVATE LIMITED".
2. Direct ECS/deposit cash in our bank account number **402120110000327** of "SASHI PUBLICATIONS PRIVATE LIMITED", Bank of India, VVK Road Branch, Kolkata, India, IFSC Code: **BKID0004021** and send us copy of Pay in slip by email at insurance.kolkata@gmail.com
3. Deposit cheque in our bank account in your city and send us copy of Pay in slip by email.
4. Make online payment at our website www.sashipublications.com
5. Pay via Paytm : Sashi Publications -----> Mobile No. : **9830171022**

Sashi Publications Pvt. Ltd.

Ph. 033-2269-6035 / 4007-8428 / 429 | Mobile : 09883398055
Email : insurance.kolkata@gmail.com | www.sashipublications.com

The Insurance Times Education Series

Self Learning Kit for Licentiate, Associateship & Fellowship Exam of Insurance Institute of India

Guide books for Licentiate

	Guide to Principles of Insurance Paper No. 1 of III Price ₹ 750		Guide to Practice of General Insurance Paper No. 11 of III Price ₹ 750		Guide to Regulations on Insurance Business Paper No. 14 of III Price ₹ 750		Guide to Practice of Life Insurance Paper No. 2 of III Price ₹ 750
---	---	---	--	---	--	---	--

Combo offer : Buy Licentiate's 3 Books + Online Mock Test for 3 papers worth ₹900/- Total Value ₹2850/- Pay only ₹1800

Guide books for Associateship

	Guide for Life Insurance Underwriting (IC 22) Price ₹ 1024		Guide for Applications of Life Insurance (IC 23) Price ₹ 1020		Guide for Legal Aspects of Life Insurance (IC 24) Price ₹ 1087		Guide for Life Insurance Finance (IC 26) Price ₹ 1105		Guide for Health Insurance (IC 27) Price ₹ 1060
	Guide for General Insurance Underwriting (IC 45) Price ₹ 1042		Guide for General Insurance Accounts Preparation & Regulation of Investment (IC 46) Price ₹ 1141		Guide for Fire Insurance (IC 57) Price ₹ 1065		Guide for Marine Insurance (IC 67) Price ₹ 1095		Guide for Motor Insurance (IC 72) Price ₹ 1110
	Guide for Liability Insurance (IC 74) Price ₹ 1080		Guide for Engineering Insurance (IC 77) Price ₹ 1090		Guide for Miscellaneous Insurance (IC 78) Price ₹ 1075				

Combo offer : Buy any 6 Associateship's Books + Online Mock Test Pay only ₹ 6000/-

<h4 style="text-align: center;">Guide books for Fellowship</h4> <table border="0" style="width: 100%; text-align: center;"> <tr> <td></td> <td>Guide for Reinsurance Management (IC 85) Price ₹ 1210</td> <td></td> <td>Guide for Risk Management (IC 86) Price ₹ 1170</td> <td></td> <td>Guide for Marketing & Public Relations (IC 88) Price ₹ 1074</td> </tr> <tr> <td></td> <td>Guide for Human Resource Management (IC 90) Price ₹ 1114</td> <td></td> <td>Guide for Actuarial Aspects of Product Development (IC 92) Price ₹ 1240</td> <td colspan="2" style="text-align: center;"> Combo offer Buy 4 Fellowship Books + Online Mock Test Pay only ₹ 4300/- </td> </tr> </table>		Guide for Reinsurance Management (IC 85) Price ₹ 1210		Guide for Risk Management (IC 86) Price ₹ 1170		Guide for Marketing & Public Relations (IC 88) Price ₹ 1074		Guide for Human Resource Management (IC 90) Price ₹ 1114		Guide for Actuarial Aspects of Product Development (IC 92) Price ₹ 1240	Combo offer Buy 4 Fellowship Books + Online Mock Test Pay only ₹ 4300/-		<h4 style="text-align: center;">Mock Test</h4> <p>Mock Test For Associate and Fellowship Exams Any paper @Rs 500 only</p> <p>Practice online mock test in exam condition to assess your preparation. Be confident for the exam www.insurancetrainingcentre.com</p>
	Guide for Reinsurance Management (IC 85) Price ₹ 1210		Guide for Risk Management (IC 86) Price ₹ 1170		Guide for Marketing & Public Relations (IC 88) Price ₹ 1074								
	Guide for Human Resource Management (IC 90) Price ₹ 1114		Guide for Actuarial Aspects of Product Development (IC 92) Price ₹ 1240	Combo offer Buy 4 Fellowship Books + Online Mock Test Pay only ₹ 4300/-									

Others Books

	General Insurance MCQ Guide For IC 38 Price ₹ 210		Life Insurance MCQ Guide For IC 38 (Hindi Edition) Only MCQ Price ₹ 200		Life Insurance MCQ Guide For IC 38 Price ₹ 175		Life Insurance MCQ Guide For IC 38 (Bengali Edition) Only MCQ Price ₹ 200
	General Insurance MCQ Guide For IC 38 (Hindi Edition) Only MCQ Price ₹ 200		Hints on Insurance Salesmanship Price ₹ 190		Guide for Insurance Broker's Exam Price ₹ 500		Guide for Principles and Practice of Insurance and Survey and Loss (IC-501) Price ₹ 1033
	Guide For Direct Recruit Exam in Govt. Insurance Companies (2 books + Mocktest) Combo offer Price ₹ 990		Text Guide Para 13.2 Promotional Exam Combo offer Price ₹ 1570		Model Question Bank for Para 13.2 Promotional Exam Price ₹ 500		Text Guide for Para 13.2 Promotional Exam Price ₹ 500
	English & G.K for Para 13.2 Promotional Exam Price ₹ 500		Text Guide for PSU- NON Life Officer's Exam Scale 1-5 Combo offer Price ₹ 1300		Model Question Bank for PSU- NON Life Officer's Exam Scale 1-5 Price ₹ 500		Text Guide for PSU-NON Life Officer's Exam Scale 1-5 Price ₹ 575

Sashi Publications Pvt. Ltd. Ph. 033-2269-6035 / 4007-8428 / 429 | Mobile : 09883398055
Email : insurance.kolkata@gmail.com | www.sashipublications.com