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Urjit Patel reallocates portfolios between three deputy governors of RBI

MUMBAI: Reserve Bank of India (RBI) governor Urjit Patel reallocated portfolios between the three deputy governors of the Central Cank in his first day in charge on Tuesday. In what can be called as his first big decision, Patel entrusted the monetary policy department, financial market operations department and department of economic policy and research to the senior most deputy governor R Gandhi who has also been earlier deputed at the Securities & Exchange Board of India (SEBI). Patel distributed the ten departments he held as deputy governor among the three existing deputy governors. Gandhi will also be in charge of co-ordination between all the departments of the RBI taking the total departments under his watch to 14 from 10 earlier. Deputy governor SS Mundra was given charge of the corporate strategy and budget department along with the department of statistics and information management and international department, while NS Vishwanathan will also now look after the central security cell and department of communication. To be sure, this reallocation could be temporary as the portfolios may again change whenever a new deputy governor is appointed to fill Patel's place which has fallen vacant after he was elevated as the 24th governor of the RBI.

By Sonal Saki

No closures, only branch relocations after SBI merger: Arundhati Bhattacharya

NEW DELHI: The State Bank of India (SBI) may relocate some branches after the merger of its associate banks into its fold, but none of them will be shut down, Chairperson Arundhati Bhattacharya has said in a bid to put rumours to rest and assuage the staff. I don't believe we will be closing down any branches. This is one area that is getting a lot of adverse publicity. We will be working with the synergies," Bhattacharya told IANS, referring to the plans to merge five associates and Bharatiya Mahila Bank. "Obviously, if the same building has branches of three associate banks, it doesn't make sense to keep them open. If that branch is moved away 60 km, it will have a better reach. We will be relocating a few of them," the Chairperson told IANS over the phone. The merged entity, which will have a network of more than 24,000 branches, will continue to have the same number of branches. The idea is to leverage the synergies, she added. "Not only the productivity can improve, with the same number of people, we can also ensure better footprints. We can move apart branches, send out sales teams. The customer will also have access to a lot of cutting-edge products," she said. The country's largest lender is looking to add $120 billion (Rs 8 lakh crore) in assets after the merger of State Bank of Bikaner and Jaipur, State bank of Travancore, State Bank of Patiala, State Bank of Hyderabad and State Bank of Maharashtra, besides the Bharatiya Mahila Bank.

This will catapult SBI into the top 50 banks globally, Bhattacharya said, expecting the process to get completed by March 2017. "There are some timelines and processes to follow. We'll make a good effort that it gets completed by March 2017. As of now, it is a realistic enough deadline." The bank is already a 'Fortune 500' company. As an outcome of the merger, the size of NPAs (non-performing assets) will obviously swell up, she said, adding that she did not have the numbers ready on that account. "There are six entities involved. The issues need to be resolved, which cannot happen with the snap of the finger. The balance sheet is just the first thing. There's a lot of work eventually that needs to be done." Bhattacharya is due to retire in October, much before the completion of the merger. The government is said to be considering a year-long extension so that she can oversee the entire process. "I haven't heard anything from the government on my extension yet. But there will be changes and we need to be prepared for it. We have a team in all of these areas. They'll continue to do so." **By Sonal Saki**

Product innovation key for payment banks' success: EY report

MUMBAI: Low-value investment and goal-based savings products can inculcate a savings habit, which in turn, will prove beneficial for payment banks as well as overall financial system, says a report. While savings is core to banking, very few banks have taken an approach towards encouraging micro-savings or making acceptable savings amounts to near zero, said the report by professional business consulting firm EY here today. Apart from micro-savings, the report has highlighted five probable models as alternate revenue streams for payments banks, creating large-scale access to credit, merchant acceptance, and market place for financial services, data and payments as a platform.

"Innovation in product and service delivery needs to be the key differentiator for payments banks. These players should incorporate deep insights into the evolving needs of their target customer segments to offer relevant products on a very large scale with low transaction costs," Fali Hodiwalla , partner-advisory, financial services, EY, said. "Key stakeholders within the payments ecosystem the regulators, the government and banks need to collaborate effectively to create an integrated system conducive for the sustained growth of payments banks," he added. On creating large-scale access to credit, the report says although payments banks are not allowed to lend, they can act as a platform for an alternate mode of credit assessment. The payments banks could analyze and profile customers on the basis of stability of transactions and outflows to arrive at an assessment of risk, it said. An ubiquitous merchant acceptance infrastructure, as per the report, is essential for achieving the long-term objective of a cashless society.

Therefore, a merchant-acceptance model, that incentivizes customers and merchants to accept cashless payments and enables payments banks to increase bank balances, would be an effective achievement strategy. Payments banks could, with minimal effort, cross-sell financial services to their existing user base through their business correspondent network and digital channels to generate additional revenue streams, it said. Coming on data, the report said upon reaching critical scale, payments banks will generate huge volumes of transaction which could be monetised to build an alternate revenue stream. **By Liily Chwda**

Digital payment firms diversifying into wealth management, offering other financial services.

NEW DELHI: As they prepare for the coming onslaught of the payment banks and the upcoming Unified Payment License (UPL), digital wallet firms are diversifying into wealth management by offering everything from insurance products to micro-credit along with other financial services. While Mobikwik announced 6% interest on wallet balance and a provision to electronically conduct KYC (Know your Customer) earlier this month, another payment firm ItzCash tied up with an insurance firm DHFL Pramerica to launch a health insurance offering.

Upasana Taku, cofounder of Mobikwik said, "We will possibly hit the 150-200 million users mark in the coming few years and doing just payments is a plain vanilla thing, you have to add more layers on top of that." ItzCash which has also applied for a license to operate the Bharat Bill Payment System is also scouting for more partnerships to foray into the micro credit space in the future. Naveen Surya, managing director of ItzCash said that the company which is clocking payment volumes of $2 billion has an offline retail network of almost 75,000 outlets. "These are merchants which are in need of money." Similarly, the company can utilize its use reach in the semi urban parts of the country to promote insurance and other wealth management products such as mutual funds, he added.

"The question is why would insurance or mutual funds firms tie-up with us when they can do it themselves? The answer lies in our huge reach in the hinterlands," Surya said. Most of the firms which lost out in the payment bank race believe that they can function almost like a payment bank through partnerships without needing a license. As per its initial plans, Paytm, which received a payment bank license from RBI last year plans to launch a series of new products, including insurance, wealth management services and loans through its new payment bank that aims to open for business in August. Amongst other services, the bank will offer customers the option to invest as little . 1 in a money market fund, buy as ` daily insurance to underwrite movie tickets or buy travel tickets at nominal costs its founder Vijay Shekhar Sharma told et in an interview in May. Another digital payment firm Oxigen, which also lost out in the payment bank race has plans to offer micro-credit and mutual funds, especially SIPs through its online as well as offline network. **By Liily Chwda**

Samit Ghosh: Entrepreneur making Ujjivan Financial Services a finance bank

He is the man whom you would love to work for. And he is the man in whom you would trust your money. He is the videshi banker by training who is making a mark as a swadeshi banker by lending, and he is the one who is living his dream rather than dreaming about life. He is Samit Ghosh, the 66-year-old founder of Ujjivan Financial Services , a micro finance company aspiring to be a small finance bank. It is not surprising for many who know Ghosh, the son of a doctor who chose to work in government hospitals rather than set up a private practice due to social commitment, that he threw a cushy banking career spanning three decades to set up Ujjivan in 2005 that would lend to poor entrepreneurs on business terms rather than as a dole.

For someone who had spend nearly a decade in various positions in the region for Citibank--India and the Middle East, and then in Stanchart and HDFC Bank before moving to Bank Muscat to set up its India operation - the switch from business suits to kurtapyjama was not a difficult proposition. It came naturally. "I find kurta-pyjama very comfortable. I don't wear them to make a statement," Ghosh tells ET. "I also wear them when I am abroad. They have to accept me as the person I am." Although Ghosh is a well known in the financial services industry, he was pushed into the limelight recently with the listing of Ujjivan on exchanges which has returned 10.5% from the IPO price. When every promoter wants to squeeze the last bit out of retail investors with high pricing, Ujjivan was priced at a discount reflecting the charitable entrepreneur in him. He has chosen to make a few other statements though: by making credit accessible to 30 lakh grassroots borrowers through Ujjivan in the past decade (outstanding loans at Rs 5,300 crore).

But this was not achieved through slave driving. Ghosh does not allow any one work beyond regular office hours. Ujjivan has been consistently among the top 25 companies to work for in India in the past few years by the Great Places to Work Institute in partnership with the Economic Times. In 2015, it earned the top slot among MFIs as the best place to work. Ghosh was part of Citibank's management team that was responsible to set up consumer banking in India way back in 1985. "That was the first time I had realised the opportunity in this space. The idea of a mass market plan took root in me during that time," he says. The next year, he tied marital knot with Elaine Marie, who would encourage him to set up Ujjivan two decades later in 2005. Elaine, his colleague at Citibank India , established her own Parinaam Foundation, Ujjivan's sister organisation, the next year to promote education and healthcare among economically backward people.

For the veteran from Wharton School, raising the initial Rs 2-crore capital and getting the NBFC licence for Ujjivan were the most difficult part of his entrepreneurial journey. That's history. Global investors have extended support to Ujjivan in this experiment with no strings attached, perhaps a reflection of their conviction of Ghosh's leadership. What's more, Ujjivan's recent Rs 887-crore public offer was subscribed 40 times. Having mastered finance, he chose Bangalore than the financial capital of the country to give shape to his ideas. It helped him keep abreast of the developments in technology, a must in the field of modern banking. As he readies for the transformation of Ujjivan, from a micro lender to a small bank, he will feel a certain void as his "partner and inspiration" Elaine Marie had left him after a brief illness in November 2013. But the challenge to tread the difficult path and a desire to succeed keep him going. "Ujjivan, as an NBFC, had restricted scope in mass market banking with only lending products in its array. Ujjivan Small Finance Bank, with a full range of banking services, including savings, can really bridge the gap and help me chase my dreams." **By Liily Chwda**