OCTOBER EDITION

uQuest

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A LOOK AT THE FUTURE OF MANIPAL ACADEMY OF BFSI

EXCLUSIVE INTERVIEW WITH

Dr. **SOUMYADIP ROY**

THE CURRENT. THE FUTURE. THE UNSEEN.

INSIGHTS, INNOVATIONS & MILESTONES FROM UNEXT MANIPAL ACADEMY OF BFSI

Dear Colleagues

Welcome to the second edition of our in-house magazine, **U-Quest!** Based on suggestions received, we have added few more topics to make the magazine more interesting.

Inside this edition,

you will find insights from our experts on various topics related to banking, fostering knowledge within our organization. We also feature an interview with our Academic Head and VP, Dr. Soumyadip Roy, who shares his thoughts on our organization's vision and mission, the challenges faced by MABFSI, and the opportunities ahead. There is also the write up by our Vice President – Campus infrastructure & student services, Elanchezian Ganesan on our state-of-the-art new campus & office in Mumbai. We have also added a new section on Alumni speak where Anshul Mishra speaks to Prof Chandrakanth about his professional journey from being a trainee here with IDBI vertical & how our WILP MBA program helped him in his current role. We have also added a new section on Banking round up which highlights the recent developments in the banking industry. We had also announced that a cash prize of Rs 5000 will be given for the best article in every issue. The article written by Prof. Mandar Deshpande titled Pareto's Principle Recipe For A Possible "Time Bomb" Event was selected as the best article for the second edition. We congratulate Prof. Mandar Deshpande for contributing the article to the second edition.

This magazine serves as a platform for knowledge sharing and collaboration, empowering us all to contribute to our organization's continued leadership in training young bankers from various banks. We encourage you to engage with the content and share your insights as we collectively navigate the future.

Sincerely Yours,

Vasant Hegde
Chief Editor

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The **Secret Life** of a Currency Note

From Creation to Conclusion

- Anugrahi Upendra

Even in an increasingly digital age, physical currency remains unique in our daily lives. Despite the convenience of mobile payment apps, UPI, and debit cards, cash remains essential in households, businesses, and wallets across India. The Reserve Bank of India (RBI) continues to circulate physical currency in volumes that now surpass pre-demonetization levels.

The **Life Cycle** of a Currency Note

Where It All Begins

From Creation to Conclusion

Every Indian currency note begins its journey at one of four high-security government presses located in Mysore, Nasik, Dewas, or Salboni. Once printed, these notes are transported to various RBI centres and then dispatched to bank branches nationwide.

In Circulation

A Note's Daily Adventures

Once in the public's hands, a banknote leads a busy life—buying morning tea, settling a taxi fare, or fuelling a local vendor's business. These notes quietly pass through countless hands, across bustling cities and remote villages, even making their way abroad in some cases. Each note becomes a silent witness to the daily rhythm of India's economy.

Aging Gracefully

Wear and Tear

With time, and after hundreds or thousands of transactions, currency notes begin to show signs of wear—fading colours, creases, grime, and tears. When they reach a condition deemed "soiled" or "unfit," they are flagged for withdrawal from circulation.

Retirement

The Withdrawal Process

To maintain currency quality, the RBI mandates that banks process notes of ₹100 and above through specialised sorting machines. These machines identify unfit notes, which are then collected and sent to designated Currency Chests. From there, the notes return to the RBI for final retirement.

Beyond Retirement

A Second Life

Retired notes don't simply disappear. Contrary to popular belief, they are not burned or casually discarded. Instead, the RBI shreds them and compresses the remnants into briquettes. These dense blocks are then used as industrial fuel, allowing each note to contribute to the economy even after its primary role ends.

*Busting Common **Currency Myths***

Myth	Reality
Serial numbers matter only for collectors	Serial numbers are essential for identification and evaluation during RBI inspections.
Counterfeit notes are destroyed at the bank	Fake notes are reported to authorities, and may or may not involve police reports.
A cut note is worthless	A note with a single cut still holds full value. Multiple or deliberate cuts reduce or void its value based on the RBI rules.
Any writing on a note makes it invalid	Casual writing doesn't void a note, but those bearing political or religious messages are deemed invalid.
Security thread placement is always the same	Security threads vary in position and are not a reliable indicator of authenticity.

While digital transactions dominate headlines, the journey of a humble currency note is far from obsolete. It remains an essential part of India's financial ecosystem—traveling, aging, retiring, and even transforming—long after it leaves the printing press.

Do not Let **Your Money Retire** Just Because You Did

- Prashanth Kumar A C

Retirement does not mean your concern for your hard-earned savings can take a backseat. What if playing too safe costs you dearly? A 90% debt component in your portfolio may cost your dearly. Discover what smart rebalancing can do for your portfolio. Even the smartest investors know their portfolios warrant a new innings every now and then.

Retirement often signals a shift from accumulating wealth to preserving it. However, preserving wealth does not mean locking all your wealth in low-return asset classes. For many retirees in India, fixed deposits (FDs), Senior Citizen Savings Scheme (SCSS), and other debt-based options have traditionally symbolised financial safety. While they are certainly secure, excessive reliance on them can limit the growth potential of a retirement portfolio even in the medium term. Rebalancing the investments or portfolio makes financial sense, in the circumstances. For the uninitiated, rebalancing involves periodically reviewing investments in debt and equity instruments to achieve a targeted level of risk and return. For retirees, this strategy ensures that their investment remains productive, although their salary income has ceased. The needs and goals of the retiree should shape the strategy.

Consider an INR 2 crore portfolio of a senior citizen. If INR 1.8 crore of it is invested in debt instruments generating 8% CAGR and INR 20 lakh is invested in equity instruments generating 11% CAGR, the portfolio could grow to INR 4.36 crores in 10 years. Now, if the allocation is changed to INR 1.4 crore in debt and INR 60 lakh in equity, the investment could grow to INR 4.7 crores, after 10 years – a rise of INR 54 lakhs.

The commonest mistake the retirees make is to park a huge chunk of their portfolio in debt instruments to play safe. As a result, the chunk generates measly returns. Its volatility notwithstanding, equity investment has always delivered superior returns over the long term. Well-managed equity schemes of mutual funds and diversified equity portfolios testify to this fact. They have been generating a CAGR of 13 to 15% in the long term, say 10–15 years!!

But then, is equity investment advisable for ***senior citizens?***

The answer depends on the goal the senior citizens are pursuing. If the goal is to set aside INR 1.4 crores to meet the consumption needs, it is wise to invest INR 60 lakhs in high-growth equity shares. In other words, the implications of consumption smoothing (achieving a balance between spending for today's needs and saving for the future) should be reckoned in all seriousness before deciding on the investment mix.

In the Indian scenario, a 70:30 debt-equity mix can offer lucrative returns without compromising on security. The long and the short of rebalancing requires the retiree to spot the "buy low sell high" opportunities as and when they arise. If needed, professional guidance should be sought for the purpose. Periodic portfolio rebalancing or revision, often warranting asset reallocation, must be a permanent feature of one's investment strategy.

Asset allocation isn't just for young or aggressive investors—it's a lifelong strategy. Just because someone has retired, their money does not have to retire, particularly when they can ensure that it grows faster. Debt instruments are great – but only up to the extent they need them. However, if they have earmarked a chunk of their savings for their children or grandchildren, they should let the chunk grow rather than go into a slumber.

Manipal Academy of BFSI Opens Doors to Its **Mumbai Training Center**

- Elanchezhiyan Ganesan

UNext Learning Private Limited and Manipal Academy of BFSI opened its new office space and five state-of-the-art classrooms at Times Square, Wing E, 11th Floor, Units 3 & 4, Andheri East, Marol, Mumbai.
The new 28-seat office includes 8 hot seats, a 13-seat boardroom, a 4-seat conference room, 2 private cabins, 2 silent spaces, and collaboration areas designed to encourage teamwork and innovation. A spacious 50-seater cafeteria provides team members and learners with a comfortable space to enjoy coffee, tea, or lunch, further enhancing the overall campus experience. Restrooms are conveniently located within the facility for gents, ladies, and differently abled individuals.

The classrooms are designed as state-of-the-art learning spaces, equipped with centralised air-conditioning, digital displays, in-built speakers, Wi-Fi connectivity, and CCTV surveillance for a secure and modern learning environment. Each classroom accommodates up to 40 seats, with a total combined seating capacity of 176 learners.

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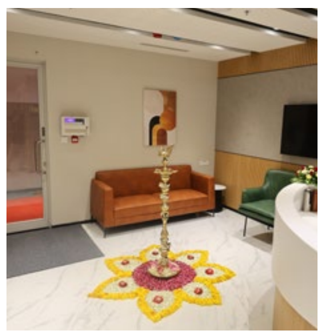
Located near Marol Metro Station, Marol Bus Stop, and the Aqua Metro Line, the Times Square building offers excellent connectivity. The Aqua Metro Line enables quick access to Bandra-Kurla Complex (BKC)—home to many of our customer offices—in just 7 minutes.

The facility has been developed as per BMC regulations, HVAC standards, and fire and safety requirements, including an automatic fire hydrant system and fire alarm system. It is also equipped with UPS and diesel generator (DG) power backup. Special attention has been given to creating a comfortable and productive environment, with optimal lighting that combines both natural and artificial sources to elevate the training experience.

The new facility was inaugurated on 30th June 2025 by Ambrish Sinha, CEO; Aatash Shah, Business Head; and Elanchezhiyan Ganesan, Vice President – Campus In frastructure and Student Services, UNext Learning Private Limited.

Here Are A Few Moments Captured From ***The Inauguration Ceremony***



A Look at the Future of Manipal Academy of BFSI

-Exclusive Interview with Dr. Soumyadip Roy

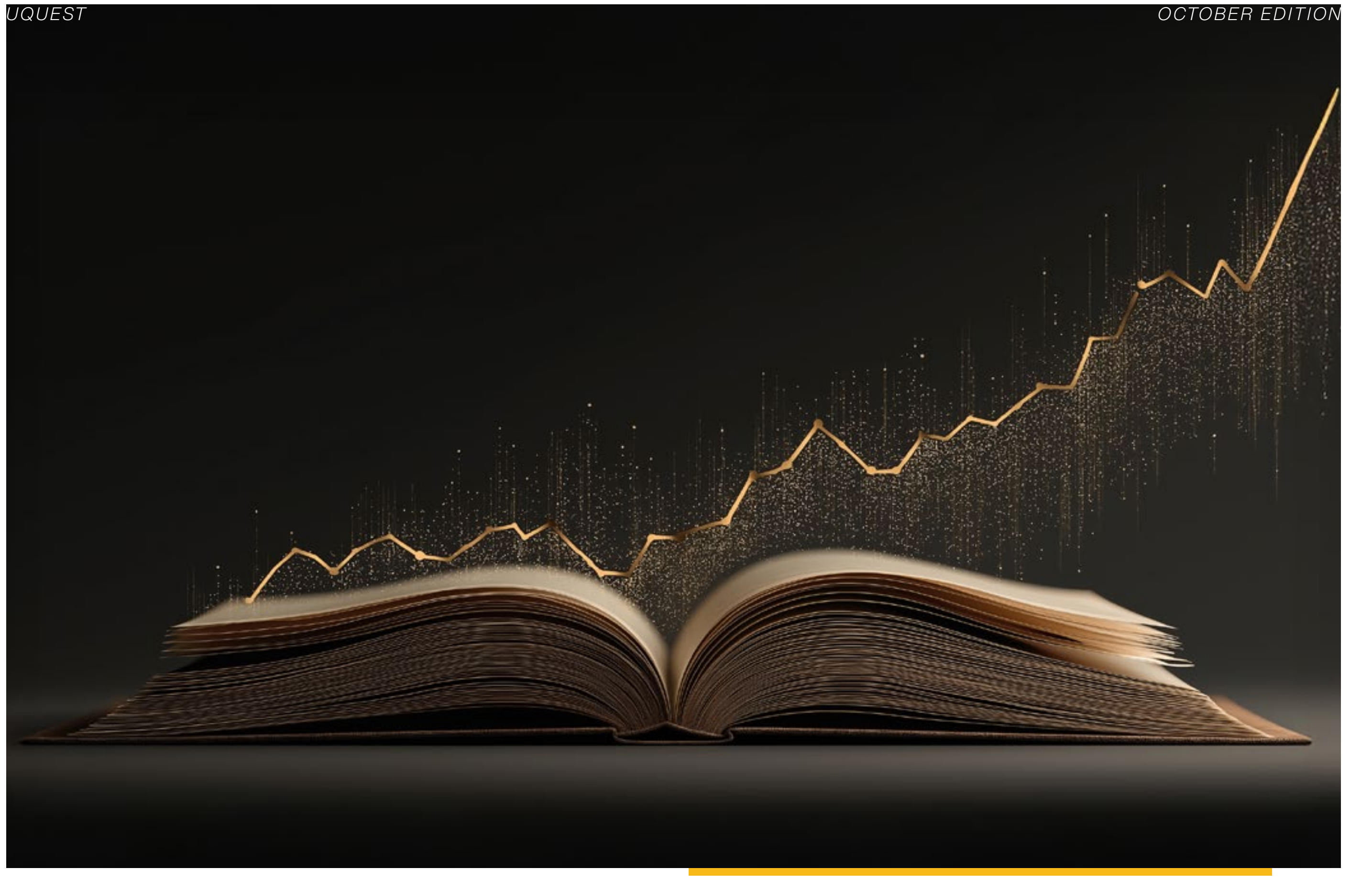
Faculty development is highly relevant in any academy which trains young bankers since it helps the faculty to stay on top of the curve. In a conversation with **SKV Prasad**, **Dr. Soumyadip Roy, VP and Head Academic Strategy, UNext MABFSI**, spoke about the opportunities and challenges ahead for the institution. Edited excerpts:

Could you tell us something about your journey so far?

After finishing class 12 in Kolkata, I pursued BA in economics at Jadavpur University before getting my master's from Jawaharlal Nehru University in Delhi. After JNU, I joined Genpact in Bengaluru as a risk analyst, where I built statistical models to assess the probability of default for large loans, like those for ships or aircraft. I always wanted to study more, so I took the GRE and completed my PhD in labour economics in the US. I wrote three papers, one of which was published. After my PhD, I joined Discover Financial Services and later became a vice president at Citibank. In 2019, I decided to move back to India and joined O.P. Jindal University in Haryana. I was hired as an assistant professor in the nascent Jindal School of Banking and Finance. My administrative experience at Jindal has helped me immensely in my current role here.

What is the core philosophy or mission of this Academy and how does your role as an academic head support that mission?

The mission of this academy is what it has done for so many years: to train bankers. I've been trying to understand the main ethos of this institution, which blends academia and industry. While we are already a leader in this industry with a phenomenal brand name among our clients, I believe we can do a little more. My role is to help us pivot toward thought leadership and research. Since we are primarily a B2B business, our name isn't well-known in the wider media or academic circles, including RBI. I want our academy to reach that level. It won't be easy, but we should push the envelope and get there.



With the advent of AI and ChatGPT and the change in banking regulations, what would be your strategy to tackle these issues to prepare our learners?

I feel banking is quite conservative in its adoption of AI compared to many other industries. That's my reading of the situation. While banks use AI for analyzing customer profiles or selling products, its adoption in the actual banking system is going to be slow. We must continuously evolve our curriculum to ensure our learners are prepared for these changes.

How do you measure the success or impact of our program? Do we rely on feedback from the partners?

The success of our programs is obviously the success of the folks we train. If a client keeps coming back to us for his training needs, it's a validation that our programs are delivering the desired outcomes. The true measure is the value we add to their lives—their transformation in four months & be job-ready. The fact that one in every five bankers has been trained by this institution is a testament to our impact. For me, the most heartening thing is seeing our students succeed in their careers. Some of our partners have also noted that attrition among our graduates is much lower, which speaks to their retention.

Coming to the faculty, what are those few things which you look for when you hire them?

When we hire faculty, we expect them to have banking knowledge, as they are all seasoned bankers. So, we take that knowledge for granted. However, this is a training institution, and one must be able to communicate effectively with a 21- or 22-year-old who has virtually no experience. Most of our faculty members come from very senior positions in the bank, and that transition is not easy to make. We look for a person who is willing to make that effort or who has certain personality traits that show they will be effective in a classroom setting.

Looking forward, what is your key vision for the Academy?

I have already mentioned that we have built our thought leadership. This includes writing articles and speaking at public forums, conferences, and in the media. This is crucial for both brand building and business. I also want this academy to be a little less hierarchical.

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What are the initiatives that you have taken for the continuous learning for the faculty?

Faculty development is particularly relevant in an industry like banking where we provide training. It's very important that our faculty are aware of the most recent developments. We conducted a training needs analysis to ask our faculty what training they need. We've since held Faculty Development Programs on emotional intelligence, transaction analysis, and Bloom's Taxonomy, with more lined up. The other initiative is having our faculty communicate more with each other. There is a tremendous amount of knowledge and experience here that has not been leveraged so far. Our "Thursday Think Tank" session will facilitate more internal knowledge sharing, which can help break down hierarchy.

What would be your main priorities for the Academy?

We must work together as a team and focus less on hierarchy. Many of my efforts are already visible in this direction. I would also like to host an annual academic conference on campus on a topic like the budget, monetary policy, or new RBI regulations, with industry leaders in attendance. We could collaborate with the university to achieve this, using its campus and brand to make us a thought leader. The word "thought leader" is heavily loaded; it means generating new ideas and creating knowledge, just like Ivy League universities. We should strive for this without diluting our core business.

What would be your message to the entire team in the Academy?

Everybody -be it the infra team or the faculty team- has done a fantastic job. We are undergoing a transition, and we should all focus on improving our knowledge and go to the next level. We should be more process-driven rather than people-driven. The key message is that all of us must stay relevant.

DICGC
Safeguarding Depositors, Strengthening Trust

– Nagaraj Patil

There was a case of a well-known cooperative bank in Karnataka, which was known for its impeccable level of customer service, shutting down suddenly. A customer of this bank had put in his entire life's savings to eke out a living out of interest earned on the deposit another customer planned to withdraw funds in a phased manner to build his dream home, another women customer had saved good amount of money over a long period which she had saved without the knowledge of her family members, the list goes on... One can imagine the plight of such poor Depositors who undergo a tremendous amount of financial and mental stress. Two major factors can be attributed to such cases, one being the greed of earning a higher interest rate and the other being herd mentality, ignoring to know about inherent risks. Luckily for these depositors, DICGC stepped in and compensated up to Rs 5 lakhs per depositor. DICGC settled more than Rs.400 crores in this case.

DICGC (Deposit Insurance & Credit Guarantee Corporation), a specialised division of RBI established in the year 1978 under the DICGC Act, 1961, to provide insurance of deposits and guarantee of credit facilities up to Rs.5 lakhs. DICGC started with a deposit insurance cover of Rs. 1500 in the year 1962; the cover has gone up over a period of time. Presently, DICGC covers deposits up to Rs.5 lakhs per person. Insurance cover works on the 'same capacity, same right' principle. Let's look at a few examples mentioned herewith to understand this principle:

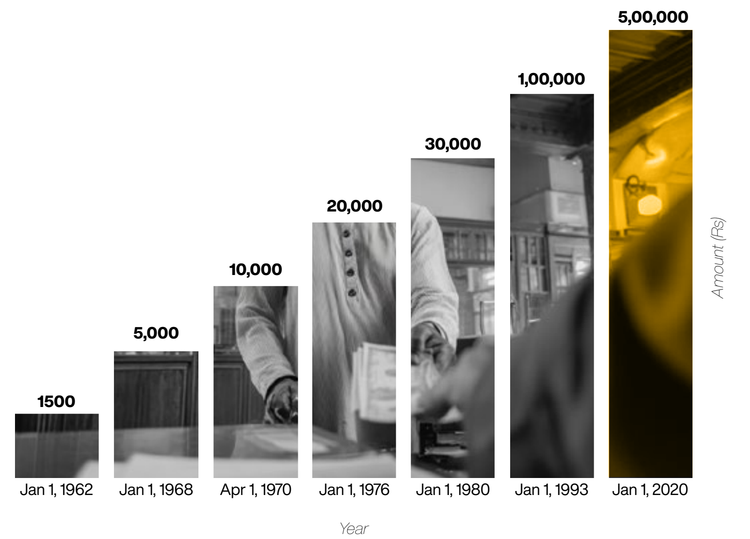
Mode of a/c holding	Total amount of deposit (Amt. Rs.)	Insurance cover:
Singly by A	3 lakhs	A for Rs.3 lakhs
Singly by B	6.50 lakhs	B, Rs. 5 lakhs
Joint a/c of A & B	8 lakhs	Total deposit cover of Rs.5 lakhs
Joint a/c of B & A	4.50 lakhs	Total deposit cover of Rs.4.50 lakhs
Joint a/c of A & B	Rs.3 lakhs in branch-X, Rs.5 lakhs in branch-Y, Rs.7 lakhs in branch-Z of the same bank	Total deposit cover of Rs.5 lakhs
Singly by A	Rs.5 lakhs in Bank-X, Rs.6 lakhs in bank-Y and Rs.4 lakhs in Bank-Z	Total cover in this case is Rs.14 lakhs. (cover is available upto Rs.5 lakhs per bank)

Total insurance cover of upto Rs 5 lakhs is available across various deposit accounts like Savings, Current, Fixed Deposit, Recurring Deposit, etc. There is now a demand, especially from senior citizens, to increase the cover up to Rs.10 lakhs as they are the worst affected whenever it comes to banks suddenly calling it a day.

Let's look at various levels of ***Deposit Insurance Cover*** *over a period.*

Presently, the insurance premium is Rs.12 for every Rs. 100000 of cover; the insurance premium is entirely borne by the respective bank opting for its Deposit's insurance cover.

In terms of Section 18A (2) of the DICGC Act, 1961, insured banks placed under AID (All Inclusive Directions) are mandated to furnish, in the format prescribed by DICGC, a list showing the outstanding deposits of each depositor as on the date of imposition of AID within 45 days from the date of imposition of AID. DICGC shall verify the authenticity and genuineness of the claims made by the bank within 30 days from its receipt and make payment to depositors within 15 days from the completion of such verification, provided the total time from the date of imposition of AID and the date of payment shall not exceed 90 days.



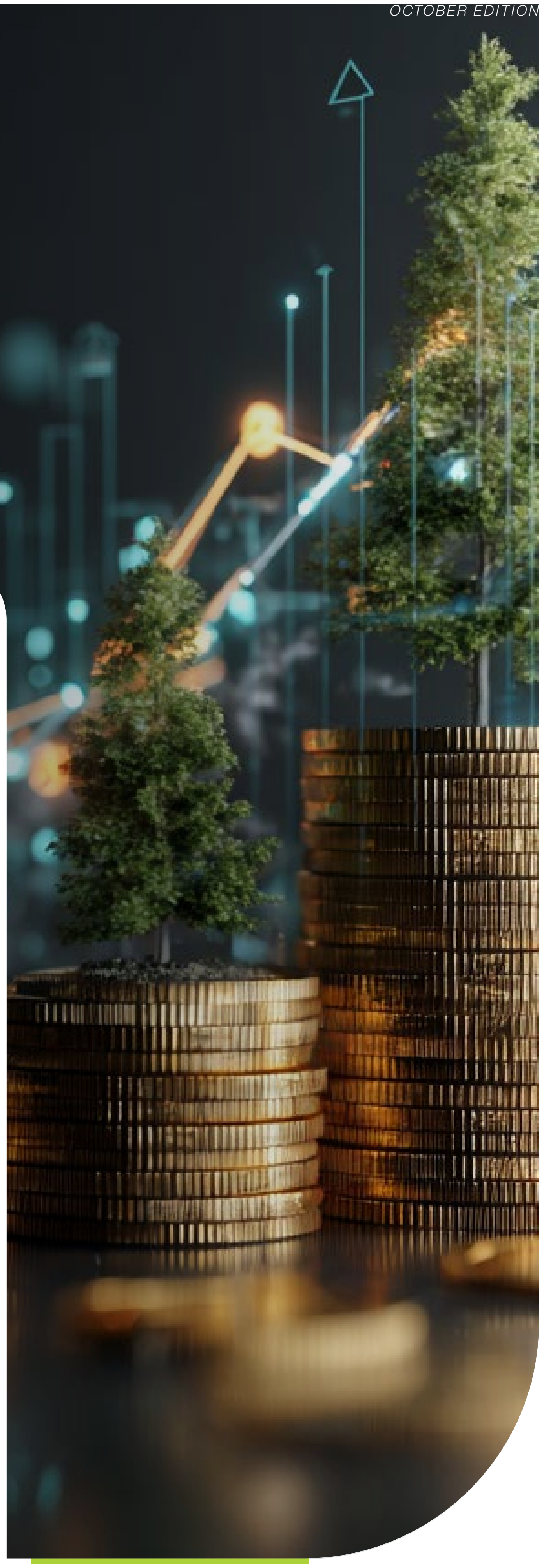
Some sections of the depositors are not aware of the cover available and which financial institutions are covered. DICGC provides insurance cover only to banks, all types of banks like Public Sector, Private Sector, Co-operative Banks & Small Finance Banks. It is to be noted here that there is no cover for deposits parked in Co-operative Societies and NBFCs, which most of the depositors are not aware of. One can visit the DICGC website to check the list of banks covered with insurance. It is listed alphabetically, making searching easier and faster. DICGC, along with RBI, has been running various depositors' awareness programs. Several banks, too, are chipping in to create depositors' awareness. It becomes equally important for the depositors to do reasonable research to know about the institution to which they are entrusting their hard-earned money.

DICGC is a very important institution in India, which acts in the interest of both customers in the form of providing a guarantee of their deposits, which in turn helps banks build their deposit base, which is very crucial for the growth of the liability book size.

Market Outlook

India's high frequency data update

– UQuest Editorial Team



Improving inflation outlook supported by good monsoon, ample liquidity in the system and robust spending helped by a decline in unemployment rate to 5.2 % for the month of July were key highlights of the month. Most of the high frequency indicators point to a healthy growth of the Indian economy. Standard & Poor's (S&P) Global Ratings has upgraded India's long-term sovereign credit rating to **'BBB'** from 'BBB-' with a stable outlook. This is the first upgrade from S&P in 18 years & is a significant endorsement of India's economic health

The biggest worry for the economy though will be the imposition of a 50 per cent tariff on Indian goods by US President Donald Trump, comprising an existing 25 per cent levy and an additional 25 per cent set to take effect later this month, as a penalty for India's purchase of Russian oil. This along with geopolitical uncertainties are likely to weigh on the growth & currency outlook for India.

Monetary Policy

The RBI left the repo rate unchanged at 5.5% in its latest meeting of the MPC. Benign inflation and resilient growth outlook were the key highlights of the policy. Despite mixed signals from hi-frequency indicators and rising tariff related uncertainty, the RBI kept the FY26 growth projections unchanged at 6.5%, while it revised downward FY26 inflation projections by 60 bps to 3.1%.The yield on the 10 year G-sec rose to a 4 month high of 6.50 % in August after hovering around 6.30 % since April.

Purchasing Managers' Index Manufacturing PMI

India's Purchasing Managers' Index Manufacturing (PMI) in July 2025 rose to a 16-month high of 59.1 (vs 58.4 in March 2025), remaining in expansion zone (>50) for the 47th straight month. This feat was possible primarily due to faster increases in new orders, outputs and stocks of purchases.

Goods and Services Tax (GST Collection)

Gross collections of INR 1.96 lakh crores in July 2025 marked the fortieth consecutive month of collections over the INR 1.4 lakh crore mark, following previous record collections of INR 2.1 lakh crores in April 2024. Rising compliance, higher output prices, rising collections from imports and domestic transaction volume uptick has driven elevated tax collections.

Industrial Production

Industrial Production: Factory output growth as measured by the Index of Industrial Production (IIP) accelerated MoM to +1.5% in June 2025, vs a growth of +1.2% YoY in May 2025, driven by positive growths in 1 of 3 major sectors- Manufacturing (3.9% YoY).

Credit growth

Scheduled Commercial Bank Credit growth reached 10.2% YoY as of 27th June 2025 against a YoY growth of 13.8% as observed on 28th June 2024, as sector-wise credit in June 2025 slowed down in all sectors. Agriculture and allied activities credit rose by 6.8%, lower than 17.4% a year ago, while industrial sector credit grew by 5.5%, down from 7.7% in June 2024, the services sector credit grew by 9.6%, down from 15.1% in June 2024.

Inflation

June's 2025 Consumer Price Index (CPI) inflation rate decelerated MoM to 2.1%, down from 2.8% in May 2025. Food inflation came in at a faster pace MoM, at 1.06%, up from 0.99% in the previous month. The Wholesale Price Index (WPI) inflation fell sequentially in June 2025, with the print at -0.13%, 295 bps down from May 2025 primarily due to decrease in prices of food articles, mineral oils, manufacture of basic metals, crude petroleum & natural gas etc. The Indian Rupee was under pressure & was hovering around INR 87 to the dollar, recently reaching an all-time high of INR 88.11 in August 2025. It has weakened by about 0.78% in the past month and 3.79% over the last 12 months. The Reserve Bank of India (RBI) has been actively intervening in the forex market to manage this volatility, as seen by the recent rise in India's forex reserves which was steady around USD 690 billion.

New Partnerships

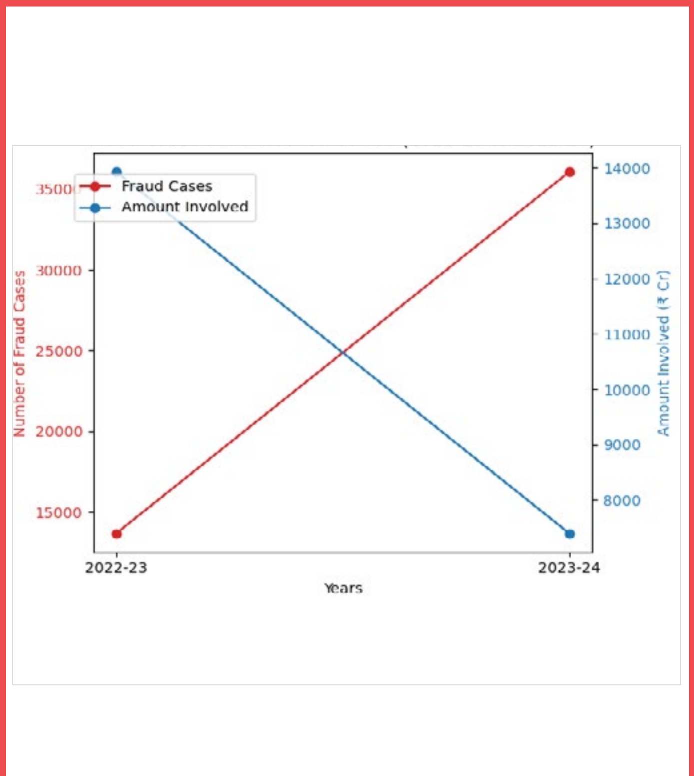
Bigger Impact

Expanding its industry footprint, UNext Manipal Academy of BFSI has forged powerful new partnerships with IDFC First Bank, Tamilnad Mercantile Bank, and Universal Sompo this quarter.

These collaborations strengthen the Academy's position as the BFSI sector's talent engine, delivering cutting-edge, industry-ready programs.

Data Driven **Fraud Risk Management** in Banks - A Paradigm Shift

- Arvind kumar Thakur



In a startling revelation, the RBI Annual Report for 2023-24 highlighted a dramatic surge in fraud cases within the Indian banking sector. The number of fraud incidents skyrocketed by an astonishing 165%, jumping from 13,654 cases in 2022-23 to a staggering 36,075 cases in 2023-24. While the total amount involved in these frauds saw a significant drop of 47% from ₹ 26638 Cr, it still amounted to a hefty ₹13,930 Cr. This alarming trend underscores the evolving nature of fraud and the pressing need for robust fraud risk management strategies.

The report sheds light on the types of fraud plaguing the banking industry, with internet-based and credit fraud taking centre stage. Private sector banks are predominantly grappling with digital payment frauds, whereas public sector banks continue to face challenges with credit fraud.

In response to this growing menace, the Reserve Bank of India (RBI) issued comprehensive guidelines on July 15, 2024, aiming at revolutionising fraud risk management in commercial banks and financial institutions. These guidelines mark a significant shift from the traditional approach of merely classifying and reporting fraud to a more proactive stance focused on prevention. It aims to provide a robust framework for the prevention, early detection, and timely reporting of fraud in regulated entities (REs). The major requirements by the Reserve Bank of India based on new guidelines are as below:

Reporting of incidents of fraud to the Reserve Bank of India (RBI)

Classification of frauds

RBI has directed to classify the frauds to be reported under 11 categories.

1. Misappropriation of Funds and Criminal breach of trust.
2. Fraudulent encashment through forged instruments
3. Manipulations of books of accounts or through factitious accounts and conversion of property.
4. Cheating by concealing facts to deceive any person and cheating by impersonation.
5. Forgery to commit fraud by making false documents/electronic records.
6. Fraudulent credit facilities extended for illegal gratification.
7. Willful falsification, destruction, alteration, mutilation of any book, electronic record, paper, writing, valuable security or account with the intent to defraud.
8. Cash shortage on account of fraud.
9. Fraudulent transactions involving foreign exchange.
10. Fraudulent electronic banking/digital payment-related transactions committed on NBFC.
11. Other types of fraudulent activity not covered under any of the above.

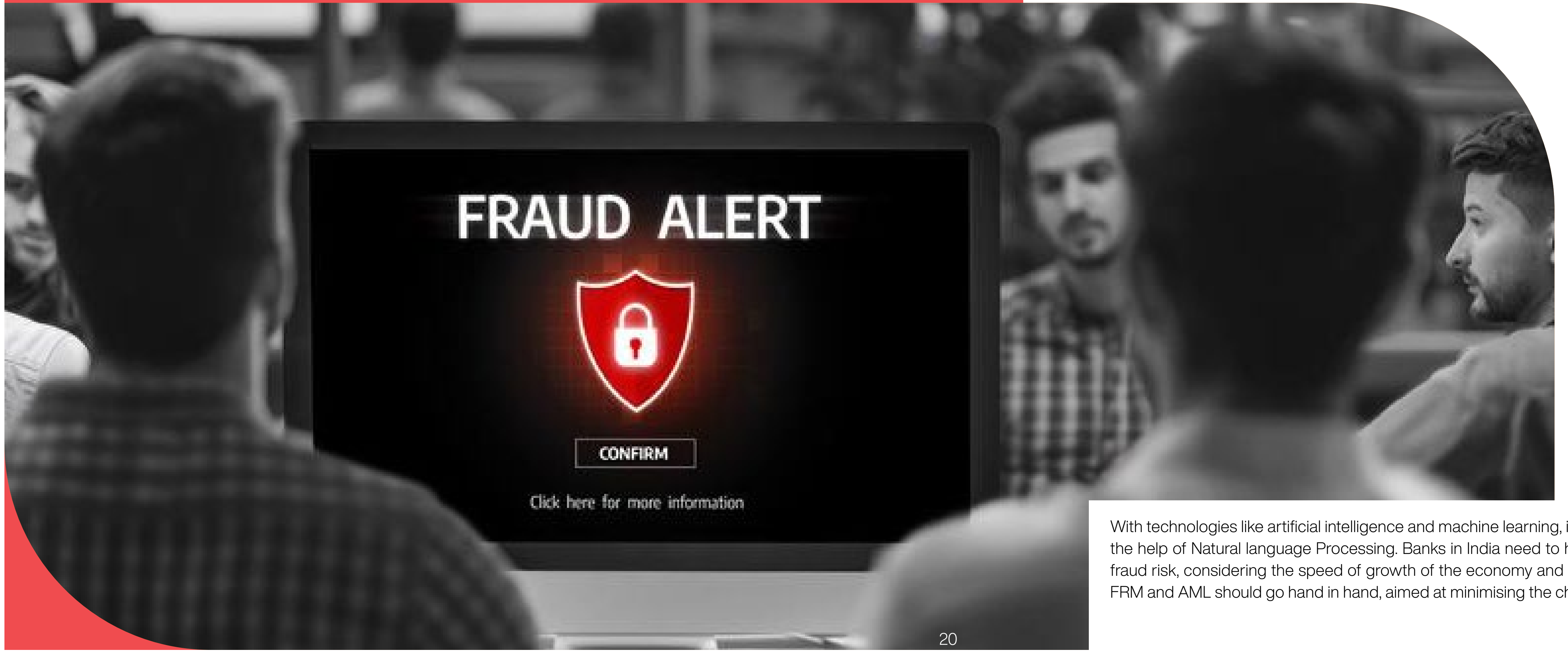
Compliance with the principle of natural justice before the declaration of account.

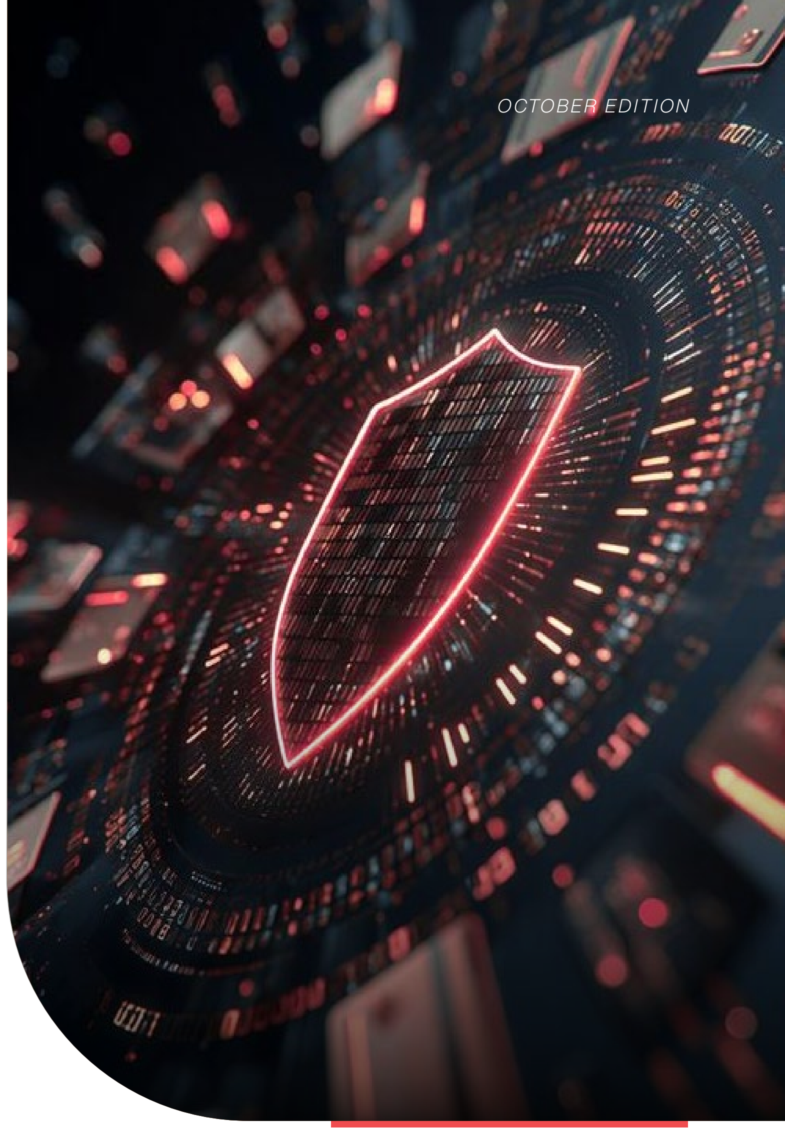
1

REs shall ensure compliance with the principles of natural justice in a time-bound manner before classification of fraud, i.e. borrowers must be given the opportunity to be heard before the account is classified as fraudulent.

2

Fraudulent borrowers are barred from availing bank finance for 5 Years.





Key Changes

Governance for Fraud Risk Management (FRM)

The new guidelines extend their applicability to a wide array of financial institutions, including Banks. The emphasis is now on fraud prevention rather than just detection and reporting. Banks are required to establish a board-approved policy that outlines the roles and responsibilities of the board, committees, and senior management for FRM framework embedded into risk function of the bank.

EWS and Red Flagging of Accounts (RFA)

Banks are encouraged to integrate their Early Warning Signals (EWS) with their Core Banking System (CBS) and set up Data Analytics (DA) and Market Intelligence (MI) units for the detection of fraud in both credit and non-credit functions.

RBI has defined EWS with a complete list of 27 signals, such as bouncing of High-Value cheques, delays observed in payment of outstanding dues. An account with one or more EWS indicators will be classified as RFA and requires deeper investigation.

Fraud Reporting

The guidelines stipulate comprehensive reporting requirements for fraud related to group entities, both domestically and overseas. Banks must report each fraud case within 14 days of its classification, and instances such as theft, burglary, dacoity, and robbery within 7 days. CRILIC cases are identified as RFA be reported within 7 days.

New RBI Guidelines – A Risk-Based Data-Driven Approach

On October 10, 2024, the RBI issued fresh guidelines focusing on a risk-based and data-driven approach to fraud monitoring. It calls for banks to revamp their systems and optimise the use of internal and external data to create robust risk rating models. It is imperative that banks quickly revamp their system to integrate both databases to develop more predictive risk-rating-based models to contain future risk. Banks have internal data which can be used for developing a model for early signals and transaction alerts with data mining and exploratory data analysis (EDA) for qualitative and quantitative information.

With technologies like artificial intelligence and machine learning, it is possible to set up transaction-based alerts and set up EWS with the help of Natural language Processing. Banks in India need to have a mindset of a technology and fintech company to control the fraud risk, considering the speed of growth of the economy and the nature, volume and veracity of growing digital transactions. The FRM and AML should go hand in hand, aimed at minimising the chances of banks being used as a conduit for money laundering.

Infinite World of Banking

– Priyamvadha O M

Growing up in a family rooted in banking, the word "banking" was never unfamiliar. Banking had a constant presence in my life, echoing around me daily. Cash or branches never fascinated me because I was used to them. My father was in a PSU bank, and over the years, cousins, relatives, and even my elder sister joined different banks. Banking slowly became part of our family identity. As a young girl, I saw a bank simply as the place where my father worked and where his salary came from. To me, that meant chocolates, toys, or a new dress. Later, I noticed my grandmother also visited the bank. Curious, I asked my mother why, and she explained, *"Grandma receives her pension in her account."* That was the first time I realised a bank did more than just pay salaries; it handled pensions too. I felt a quiet pride in knowing something my classmates hadn't yet discovered.

One day, when I was studying in Grade four, my mother asked, "Do you want to come with me to the locker?" Curious and obedient, I agreed. At the bank, we were led behind a big door, and I couldn't help but ask, "Is this a jail?" It certainly looked like one! But once inside, I was amazed by the sight of glittering gold. At that moment, I discovered what a locker was and why people used them. To me, it felt like stepping into a secret treasure vault.

A couple of years later, my father sold our house in Thrissur. At dinner, he discussed where to keep the money. I innocently suggested, "Let us keep it in the almirah." With a gentle smile, he explained the concept of Fixed Deposits and how keeping the money in the bank could help it grow through interest. That night, he also spoke about Recurring Deposits and explained how saving bit by bit can make a big difference over time. I also learned that in some countries, people pay banks to keep money! He even told me about the RBI and how interest is calculated on the money kept in the bank. My excitement grew with every discussion, which revealed a new layer of banking.

Every year, I saw neighbours handing torn notes to my dad, asking him to get them exchanged. I saw fresh notes arrive at home during festivals. Slowly, budget season turned into a significant event at our home. My father would explain the many jargons used in budget in detail. At first, most of it went over my head, but I listened anyway. Slowly, those unfamiliar terms began to make sense. Then came new words like the Repo rate, Reverse Repo, SLR, CRR, which RBI used in its monetary policy pronouncements. The arrival of the ATM card was revolutionary – it allowed us to do transactions 24 X 7 & even on holidays! When my father first mentioned digitising records, I didn't understand what he meant. But after a few more conversations, it clicked. Digitalisation was efficient, modern, and environmentally friendly. As a nature lover, he tied the idea to something bigger, like saving trees, conserving water, and reducing waste. To him, going paperless wasn't just about convenience; it was about caring for the planet.

In 2001, my sister joined a PSU bank where everything was computerised. Her stories painted a picture of the modern banking world - paperless transactions, automated systems, and customers swiping cards instead of cheques. That same year, I opened my first savings account with my pocket money.Time moved swiftly. After completing my MBA, I entered the family legacy, *"the banking world."* From that point, I witnessed the rapid transition from manual entries to Internet Banking, Mobile Banking, UPI, and now, the latest innovations like chatbots and AI integration. Milestones like the Demonetisation and COVID became defining chapters in the evolving story of the banking sector.

With each passing phase, banking feels like an ocean - vast, deep, and ever evolving. Every visit to the bank, every discussion at home, every budget speech, and every RBI policy update added a new layer to my knowledge. I now understand that banking is not just about cash or accounts, it's about trust, systems, economy, technology, and above all, "people".

Today, I see the world of banking not only through my eyes but also through the curious eyes of my son. His questions remind me of my childhood. And I smile, knowing that his journey into the vast and ever-evolving world of banking is only just beginning.

The banking saga continues...
It was there, it is there, and it will be there...

AXIS YOUNG BANKERS PROGRAM HITS Landmark 50th Batch

Milestone Achievements

UNext Manipal Academy of BFSI has proudly launched the ***50th batch*** *of the Axis Young Bankers Program, an iconic partnership that has stood strong for* ***over 13 years****. With* ***18000+ careers launched and 50 cohorts of future-ready bankers****, this milestone is a testament to the Academy's commitment to shaping talent and Axis Bank's enduring trust in a program that continues to set the benchmark in talent development.*

Success Story
Anshul Mishra

*Interviewed by **Chandrakanth V**, Deputy HOD, Manipal*

"The Manipal journey shaped not just my career, but my confidence. Relaxed outside, determined inside — *that's the power of quiet confidence.*"

Can you tell us about your background before joining Manipal?

I am from Bhopal and have completed my graduation in Electrical and Electronics Engineering. My father works as a Senior Officer in the Agriculture Department of the UP Government, and my mother is a homemaker.

When and how did you join Manipal?

I joined the PGDBF program at IDBI Bank on November 19, 2019, at the Bangalore Manipal Campus, under batch 6.

What were your contributions and achievements during the program?

I was the Program Leader for Corporate Social Responsibility (CSR). We organised cloth donation drives for the poor and conducted a successful blood donation camp on campus.
I completed the 9-month PGDBF program with a **CGPA of 8.94**.

Tell us about your professional journey after the program.

I joined IDBI Bank as a Probationary Officer and continued for 3 years and 9 months. During my first year, I cleared both JIIBF and CIIBF on my first attempt. I'm proud to say, "Manipal is my brand." My reporting managers appreciated my work, especially in cash handling and branch operations, and even deputed me to other locations based on my performance.

You also pursued further education while working, right?

Yes! While working, I joined the WILP MBA program at Manipal (Batch 6) and completed it with a **CGPA of 8.42**.
I feel proud to say that **"I succeeded through Manipal to earn an MBA from Manipal."**

How was your experience as an MBA learner with us?

I was very active in class and thoroughly enjoyed the teaching methodology at Manipal. The structured delivery, practical lab activities, and the overall campus discipline made the learning experience truly engaging. The faculty were approachable, and the academic environment was highly motivating.

What was your next career move?

After completing my MBA, I applied for the post of Deputy Manager at the Nuclear Power Corporation of India Limited (NPCIL), a central government PSU. I cleared multiple selection rounds and interviews.

How did your Manipal training help in this success?

During the NPCIL interview, I felt extremely confident because of the syllabus, training, and exposure I received at Manipal. It helped me articulate my answers clearly and with confidence, which ultimately led to my selection.

How would you describe yourself?

I consider myself obedient, approachable, and always willing to learn. I never hesitate to say, "Manipal training helped me a lot."

Any thoughts you'd like to share about your journey?

This MBA degree from Manipal truly played a pivotal role in helping me secure my current job.
It wasn't just a qualification—it was a launchpad.
My **sincere thanks to Manipal** for shaping my career and making my professional life so much more comfortable and confident.

NOMINATION

The Banking Law (Amendment) Bill – 2024

-Muralidhara B C

Ramesh and his wife, unaware of nomination, hold a joint bank account and a locker with 'Either or Survivor' instructions. With four children and equal affection for all, they worry about future access to their assets. After meeting the bank's branch head, they learn that nomination allows a person or people to collect funds or locker contents after their death, avoiding legal delays. It doesn't decide ownership or inheritance. This information makes them decide to nominate their children, ensuring smooth transfer of assets, and plan to write a Will to clearly state how everything should be shared

Nomination

Nomination is the process of proposing or appointing a person as **'NOMINEE'** to receive the account holder's assets, such as savings, fixed deposits or contents in the locker in case of any eventuality.

As per banking laws, a nominee acts as a custodian or a trustee, but will not become a legal heir unless specified by a will or is covered under the legal succession laws

Who can be a Nominee?

1. Any individual- could be a family member, friend or even an acquaintance.
2. Nominee can also be a minor however a guardian has to be designated to receive the funds on behalf of minors.

The benefits of having a nominee are innumerable. It facilitates an easy process in the event of an eventuality. Reduces legal hassles and provides quick access and settlement of the account proceeds.

The Banking Law (Amendment) Bill 2024, a bill related to bank nomination, was passed in the Parliament on December 3, 2024.The necessity of amending the law related to nomination arose due to several practical and legal challenges faced by banks, depositors and their legal heirs while settling the claims of deceased depositors and locker holders.

The reasons behind the amendment include, streamlining the claim process for nominees, preventing family disputes and enhancing customer convenience. *The amendment allows up to 4 nominees by a depositor.*
A new concept of successive and simultaneous nomination has also been introduced which give the depositor an option of choosing a successive nomination or a simultaneous nomination but cannot opt for both these options.

The Successive nomination option allows the depositors to nominate up to 4 nominees in order of priority i.e., the First, Second, third and the fourth nominee. At any point of time there will be one effective nominee, who will be higher in the order.

For example: Mr. Ram opens an FD for Rs. 1,00,000/- with a bank and nominates A, B, C & D as 1st,2nd, 3rd and 4th nominee respectively. In case of Ram's demise:

- Nominee A will be the effective nominee and B, C and D will have no right over any asset.
- On A's death, nominee B will become effective nominee and C and D will have no right
- On death of A and B, nominee C will become effective nominee, and D will have no right
- On death of A, B and C, nominee D will become effective nominee
- On death of all the nominees the claim will be settled in favour of the legal heirs.

The Simultaneous nomination clause allows the depositor to nominate up to 4 nominees and allot a percentage of share for each nominee to be stated in the nomination form. The total share allotted to all nominees shall be 100%, otherwise the nomination will become invalid. On demise of the depositor the surviving nominees are to be paid according to the share mentioned in the nomination form.

In case of a nominee's demise, the share of that nominee will be treated as not nominated and the claim to settled in favour of the legal heirs.

For example: Mr. Ram deposited Rs.1,00,000/- with a bank and nominated A, B, C and D with their shares as 25% each. On death of Mr. Ram each nominee will get 25% of Rs.1,00,000/-.

If nominee 'A' dies, the other nominees will be paid with their share of 25% and nominee 'A's' share will be treated as if not nominated and the claim to be settled in favour the legal heirs. Similarly, the rule will be followed in case of death of other nominees.

Nomination for safe custody and lockers

As per the amendment, Successive nomination of up to 4 nominees are allowed as opposed to 1 nominee in the past. Successive nomination will be effective in case of the any eventuality on the same lines as applicable for the deposit accounts.

However, Simultaneous nomination is NOT allowed in case of Safe Custody and Locker facility due to practical problem in settlement.

Ethical Banking: Where Compliance Meets Trust

– Jeyasheela Padmanathan

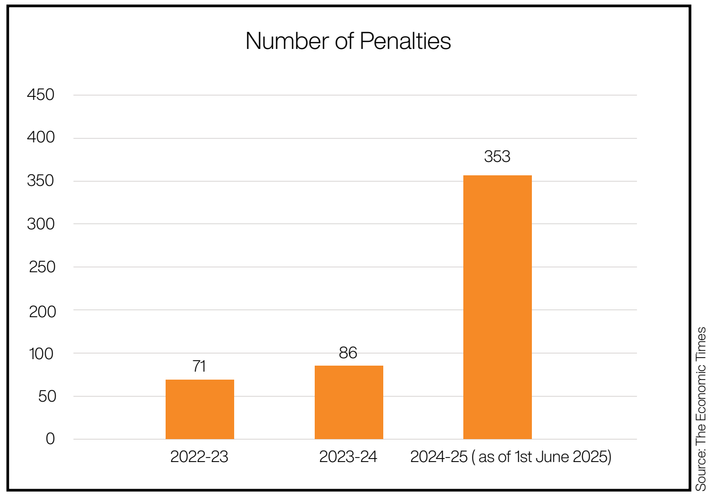
Recently, the Reserve Bank of India (RBI) imposed monetary penalties on five banks - ICICI Bank, Axis Bank, Bank of Maharashtra, Bank of Baroda and IDBI Bank for various compliance failures. Imposing such penalties running into crores of rupees on banks for non-compliance or violation of guidelines has become a routine activity for RBI, showing RBI's increased vigilance in enforcing regulatory standards.

ICICI Bank had failed to report a cybersecurity incident to RBI within the stipulated timeline, failed to put into use a robust software for throwing alerts for certain categories of accounts and failed to send credit card bills/statements to certain customers, but levied late payment charges. RBI levied a penalty on Axis Bank for non-compliance regarding the unauthorised operation of internal / office accounts.

While Bank of Maharashtra was fined for non-compliance with KYC-related regulations, Bank of Baroda was fined for lapses in customer service and regulatory norms related to financial services.

IDBI Bank was fined for non-compliance with regulations on the interest subvention scheme for short-term loans for agriculture and allied activities availed through Kisan Credit Card (KCC).

The table shows that the number of penalties has gone up dramatically over the years.



This trend highlights a critical point- the urgent need for banks to prioritise compliance. It means that employees must recognise their responsibilities, meticulously follow regulations stipulated by the regulator, and strictly adhere to established processes.

Compliance Breaches

Compliance breaches are incidents that may lead to legal or regulatory sanctions, financial loss or damage to reputation or impairment of integrity, because of the failure to comply with applicable laws, regulations and standards.

Common compliance breaches include

1. Frauds, which may include the participation and involvement of staff that may cause financial and reputational loss to the bank.
2. Failure to scrutinise documents at the time of loan processing.
3. Neglecting due diligence during KYC updation.
4. Not verifying Cash and Gold within the stipulated time.
5. Overlooking the purity, fineness or carat of gold ornaments while sanctioning gold loans.
6. CCTV monitoring is not done regularly.
7. Insufficient scrutiny of staff accounts.
8. No regular job rotation of staff.
9. Involvement of outsourced employees in routine Bank activities

How can this be avoided?

- Bank staff must be trained about the Bank's guidelines, and a huddle meeting must be conducted daily by the Branch Manager. The BM should discuss the important matters of the Bank and quote the examples related to frauds, non-compliance failures occurring in the Bank.
- Bank needs an automated system that triggers cybersecurity breaches and a system for reporting to the regulator.
- Banks may encourage their customers to register their email ID, so that the credit card bills/statements may be sent within the timelines to help customers pay the dues in time.
- Encourage the Maker-Checker Concept for using internal / office accounts of the bank.
- While opening accounts or raising service requests for customers, the bank needs to adhere to AML and KYC guidelines.
- The bank officials should ensure thorough knowledge and regular updates on the RBI Master circulars
- The bank can conduct an open-book test for its employees on the Master Circular of the RBI

Compliance with rules & regulations is non-negotiable and must be followed by all the staff meticulously. It is not a time-bound process, but it is a regular and ongoing process. It is an integral part of the culture of the organisation and reflects the standards of integrity and ethical conduct of the Bank. The Bank should hold itself to high standards when carrying out its business and always strive to observe the spirit as well as the letter of the law. The Bank needs to demonstrate a good compliance culture to maintain its reputation and win the trust of all stakeholders, be it customers, employees, investors or regulators.

Bank Mergers-
Pre and Post scenario

-SKV Prasad

The Background

The Indian banking system traditionally has been going through the cycle of mergers, amalgamations, nationalisation, and privatisation.

Indian Banks were established in the later part of the 18th century viz., Bank of Hindustan, General Bank of India etc which did not survive beyond a couple of decades until the Imperial Bank of India was set up in 1921 which in the current avatar came into existence as State Bank of India in 1955.

Then many regional banks shot into fame, grew in business, but catered to their own regions/communities, which made the Government of India decide to nationalise the banks in 2 tranches, once in 1969 and the 2nd in 1980. In all, there were 28 banks with the State Bank of India and 7 Associate banks on one side and 20 nationalised banks on the other.

Banking underwent a revolution when the new generation private sector banks emerged on the horizon in the early 1990s, followed by small finance banks, Payment banks, etc. This was in addition to the Co-operative banks, Regional Rural banks, which completed the banking ecosystem.

Mergers and takeovers were happening sporadically, with Centurion Bank being taken over by Bank of Punjab, and subsequently, Centurion Bank of Punjab taking over the Lord Krishna Bank. This entity was gobbled up by HDFC Bank, and prior to this, Times Bank was another small bank taken over by HDFC Bank. Likewise, ICICI Bank took over Bank of Madura, Sangli Bank & Bank of Rajasthan, among others.The Regional Rural banks across the states merged to form 25 new banks, down from 137.

Who would forget the merger of Global Trust Bank, once a flourishing bank with Oriental Bank of Commerce, after getting into a financial mess.

The Decision

Hence, in August 2019, the finance minister announced that the 10 public sector banks would be merged into 4 to give them enough size and elbow room to operate as large banks with decent balance sheet size and a good asset book. These larger banks would be globally competitive and stimulate economic growth

Broadly, the following mergers happened:

- *Mega Merger of State Bank of India with 7 Associate banks*
- *United Bank of India & Oriental bank of commerce were merged with Punjab National Bank.*
- *Dena bank & Vijaya bank were merged with Bank of Baroda.*
- *Syndicate bank was merged with Canara Bank.*
- *Corporation bank & Andhra bank were merged with Union bank of India.*
- *Allahabad bank was merged with Indian bank.*

The Result

Though there were teething issues like operational issues, system integration issues, customer grievances, which all the banks have been facing due to the large-scale mergers, the purpose of the merger has started showing positive results in Operational Efficiency, Profitability, and Improvement in Asset quality, to name a few.

Profitability

The combined entities have reported a healthy profitability compared to the pre-merger period.

- *State Bank of India reported a profit of 20,000 cr plus for FY 2020-21 compared to a loss of 1300 cr for the year 1016-17*
- *Bank of Baroda was a turnaround story from 8300+ crore loss in 2018-19 to a profit of 820+ crore for the year 2020-21*
- *Punjab National Bank had a success story to report 2021 cr profit for 2020-21 from a rock bottom 8310 cr loss in the year 2019-20*

Quality of asset

Gross NPA of Punjab National Bank improved from 13.79% to 4.48% and Return on Assets improved from -0.66% to 0.94%

In the year 2018, BOB had a gross NPA of 12.26% and a net NPA of 5.49%. Post merger, the bank's NPA stood at 8.87% and net NPA at 3.09% by 2021

The net NPA of SBI in 2016-17, which was 3.58% dipped to 0.58% in 2021-22

Operational efficiency

The 2 important parameters to measure the operational efficiency are:

Net interest margin- The difference between the interest earned and interest spent. This parameter improved to well above 3.01% from 2.90% from 2023 to 2024.

Business per employee/Business per branch showed an 8-9% growth post-merger of the banks

However, everything is not fine with the mergers.

It comes in a package of the good, the bad and the ugly.

The challenges faced by these banks post-merger are:

Integration issues

The systems, the culture, the process, the software, and data migration are the major issues which affect customer service, brand, and employee morale.

Efficiency concerns

Mergers also saw that some banks became more efficient while others deteriorated.

The Conclusion

As a result of the mergers of banks, the consolidated entities have seen better efficiency, improved asset quality and profitability. However, the union government is yet to take a decision on weaker banks like Central bank of India, Indian overseas bank & Uco bank.

ANNUITY PLANS

The Missing Piece in Your Retirement Puzzle

– Chethan B P

Last Sunday, I went for a jog in a nearby park. While jogging, a regular tea stall juxtaposed to the park caught my attention. I saw a seemingly regular rendezvous of elderly men having friendly banter over coffee. The interesting piece of the whole story was about how they were all keen to pay the bill for the group.

"I'll pay today!" said one. "No, no, it's my turn!" said another.

The septuagenarians were ex-government or PSU employees who were relaxed and rejoicing without financial constraints post-retirement. Although it brought a grin to my face, it made me think about a private sector employee with no pension for post-retirement life: How can they lead financially stress-free retirement years?

The thought led me to explore multiple post-retirement regular income options, and I zeroed in on Insurance annuity plans

Annuity Plans: A Game Changer for Retirees of Private Sector Employees

Retirement planning starts with building a corpus during the accumulation phase of working life to ensure financial well-being during the golden years. Private sector employees, considering that they do not have any regular pension post-retirement, should plan a corpus through savings, investments, or SIPs. However, the real challenge crops up regarding how to generate a regular, reliable income in the distribution phase.

Many retirees invest their corpus in mutual funds, relying on SWPs (Systematic Withdrawal Plans) to provide a regular income while also benefiting from potential market-based capital appreciation. Others may choose fixed deposits (FDs) for their stable interest income and liquidity. However, both options come with their limitations. Market volatility can erode SWPs, while FDs offer assured interest only for a fixed tenure. For example, a reputed public sector bank in India currently offers 7.5% interest to senior citizens for a maximum tenure of 10 years.

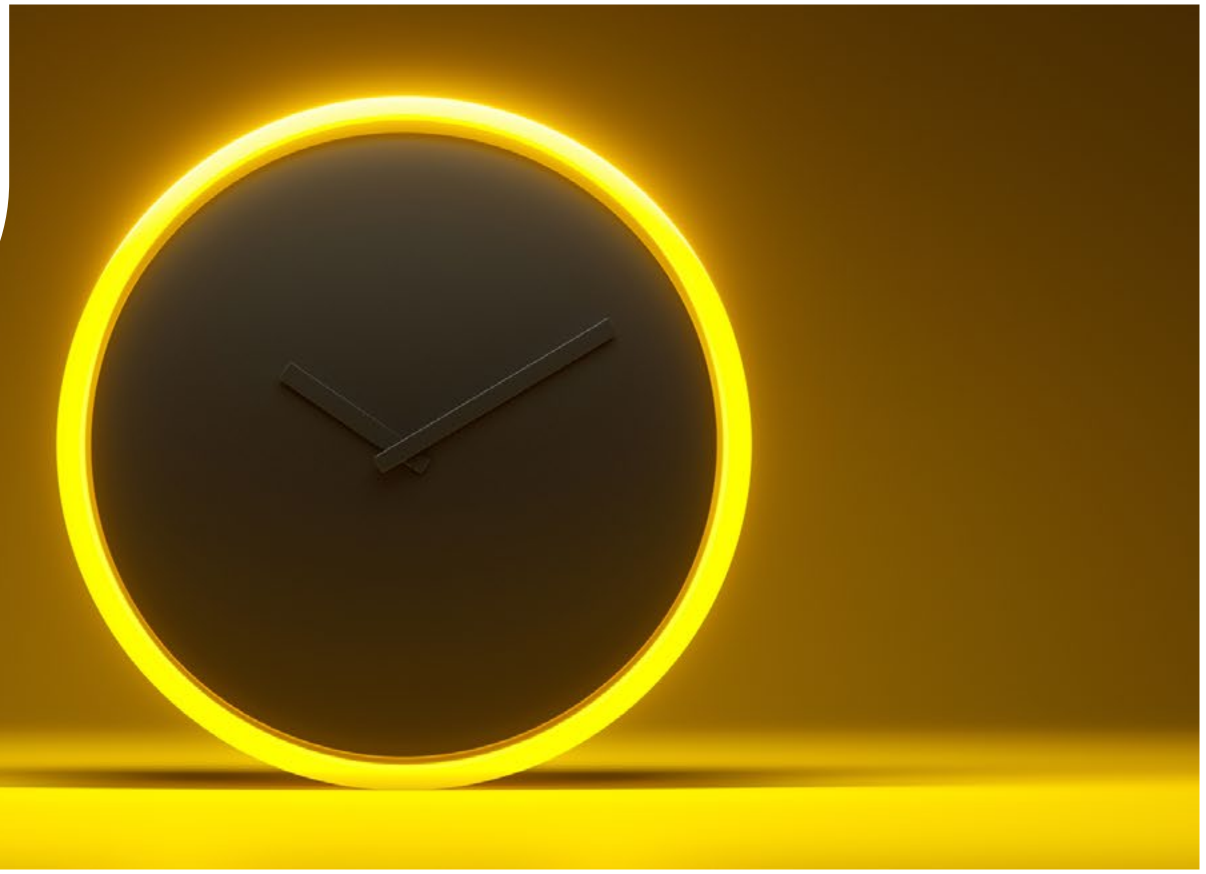
But what happens after that? Potentially, interest rates in India have shown a dwindling trend over the years, making future returns uncertain.

Some retirees also consider investing in real estate to earn rental income. While this may seem attractive, it comes with its challenges—maintenance issues, irregular rent recovery, legal complications, and liquidity risk.

In this context, annuity plans can be a game changer. While annuity returns might be lower compared to Mutual Funds, slightly less than Fixed deposits, it may not offer the capital appreciation potential of real estate, the key advantage lies in the lifetime guaranteed income they offer. Once you purchase an annuity, it provides payouts, fixed for life, offering certainty and peace of mind during retirement.

Why Annuity Plans are a better choice?

Annuity plans are essentially agreements where an insurance company promises to pay regular income for the life span in exchange for a locked-in, lump-sum investment or payment over time based on an immediate or deferred annuity plan with single life or joint life option which ensures that, the spouse continues to receive the annuity after annuitant's demise.



A Real-Life Scenario

You're retired and receiving a steady Rupees 50,000/- every month from your SWP or FD monthly interest. Life feels stable—until one day, your son approaches you with a heartfelt request to buy a ₹ 1 Cr apartment or fund his child's M.S. in the United States and promises to take care of your retirement life.

At times, emotions blur financial judgment and overpower pragmatic decisions. What may seem like a noble gesture might be a risk for your financial independence.

This is where annuity plans prove invaluable. With their guaranteed, lifelong income and built-in lock-in, they act as a financial seatbelt—protecting you from making decisions that could leave you vulnerable, even with the best intentions at heart.
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> *“But like every financial product, annuity plans come with their share of strengths and shortcomings.”*
>
> *Let's break them down clearly...*

UQUEST OCTOBER EDITION

The Bright Side (Pros)

1. Lifetime guaranteed income – sleep peacefully knowing your income won't stop
2. Joint life option – spouse stays protected even after the demise of the annuitant.
3. Shield you from vulnerable emotional decisions
4. Financial protection
5. Tax Savings
6. Complementary Income
7. Principal Protection

The Flip Side (Cons)

1. Lower return on investment, hence, a low real return
2. Locked-in money – limited or no liquidity available
3. Not ideal if you haven't built a large, accumulated retirement fund
4. High cost

The Bottom Line

Annuities are a way to supplement the retirement plan. Annuity plans are relatively safe but may offer lower returns, while SWPs can provide higher returns but carry market risks. Making a balanced choice by evaluating all available options is a wise approach. Whether you prioritise stability or potential growth, aligning your decision with your financial goals and risk tolerance with tax efficiency is crucial. Also, reach out to an expert financial advisor to make the right decision.

Quality Over Quantity?
A New Lens on Financial Inclusion

- Lalan Kumar Mishra

Over the past decade, financial inclusion has been a central focus for the Government of India. For this, the government has taken a lot of initiative & launched multiple programmes for increasing financial inclusion like Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Bima Yojana, and Atal Pension Yojana. This program has played a significant role in achieving the objective of financial inclusion. Jan Dhan Yojana is the flagship program of the Government of India for Financial Inclusion. Recent reports of RBI say that approximately 55.02 crores PMJDY account were open as of March 2025. The numbers look catchy and manifest the remarkable success towards Financial Inclusion. But when we go for micro analysis than we found picture is not so much Rosy looking like form outside. In simple word a above data does not fully reflect the true picture of financial inclusion in India.

Govt. often presents the number of bank accounts opened under PMJDY as the primary metric of financial inclusion. But simply opening a bank account does not always show to correct picture of financial inclusion. Many of these accounts are used for receiving government subsidies and welfare benefits, then after no more transaction in this account. These accounts are technically open & active but, they do not effectively integrate individuals into the broader financial ecosystem.

Quality financial inclusion is not limited to just having a savings account it goes beyond that. It includes active use of savings accounts, insurance, loan, remittance, financial advice & other financial products, along with the ability to effective use these services. Unfortunately, many individuals with Jan Dhan accounts only use for receiving gov welfare scheme & than after not further use of this account or very limited use. The Govt. focus on account simply openings overlook the need for broader access to these financial products and services, leaving a significant portion of the Indian population without true financial empowerment.

According to the RBI, out of 55.02 crore Jan Dhan accounts, 11 crore accounts were inactive as of Nov 2024. This gap clearly indicates the status of financial inclusion in India. This discrepancy highlights the need for better policies and strategies to ensure people actively engage with financial services, not just own accounts.

Easing re-KYC guidelines

RBI guidelines require re-KYC every 10 years. With many Jan Dhan accounts nearing this milestone, banks face a big challenge in verifying account details. The issue is compounded by the banks' infrastructure limitations and the low financial literacy of many account holders, making the process even tougher. If re-KYC is not done, accounts are supposed to be frozen.

To avoid freezing of SB a/cs due to missed re-KYC updates, the RBI should extend the deadline for accounts rarely used for transactions, as they are less likely to be involved in fraud. This would ease the pressure on banks, allowing them to focus their resources on active accounts and manage the re-KYC process more efficiently.

Innovative more towards banking for all

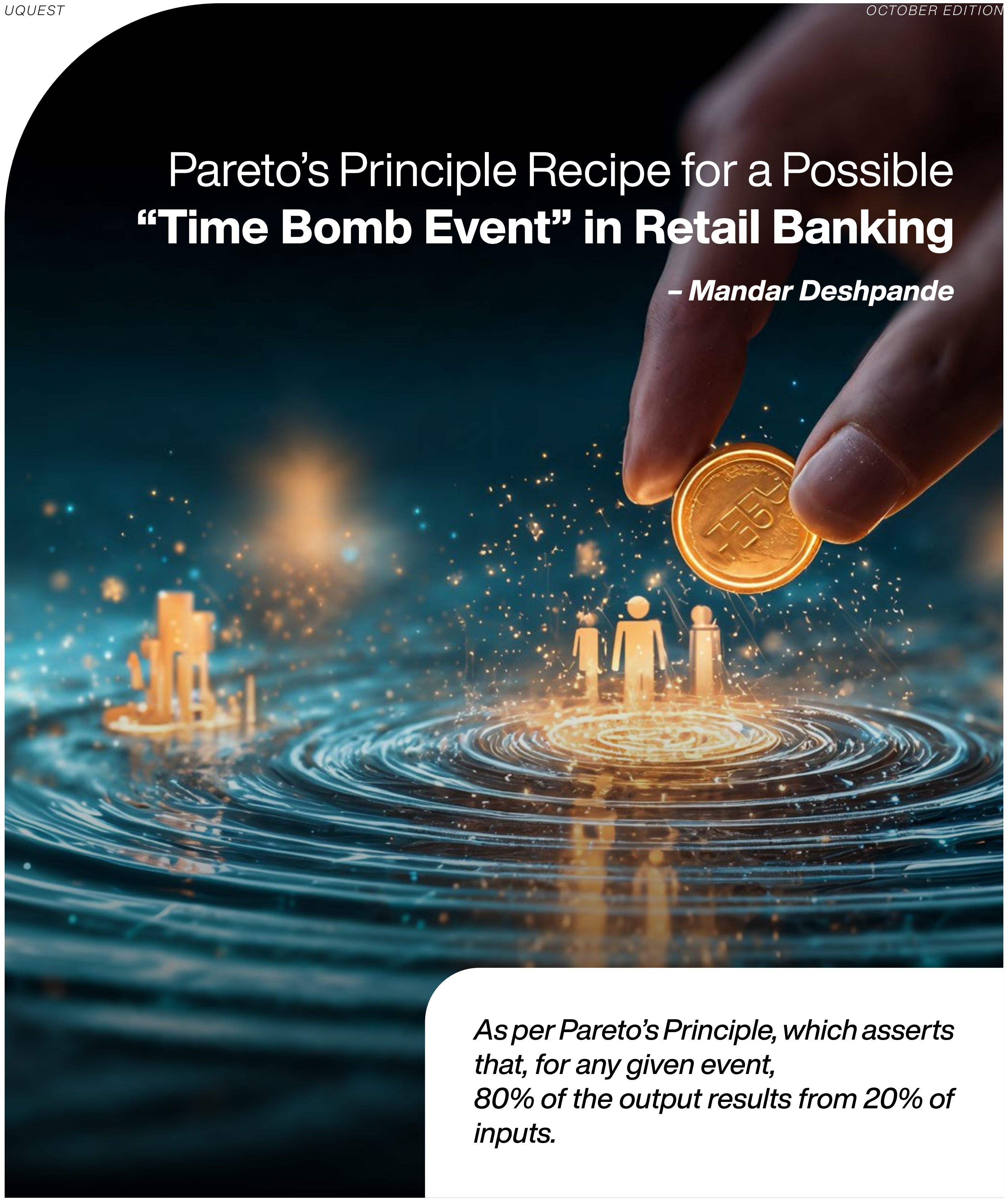
Additionally, an innovative solution for the Govt. is to create a system where an automatic bank account is opened during Aadhaar registration/creation. This SB a/c directly linked to the Aadhaar number, making it easier for individuals, especially those with low financial literacy in rural areas, to open and link their bank accounts without needing to visit a bank. This will help in eliminate the need for banks to conduct separate account opening drives.

Five-Level Framework

Level	Stage of Financial Inclusion	Description
Level 1	Basic Financial Inclusion	Owns only SB a/c actively.
Level 2	Intermediate Financial Inclusion	Uses at least two financial products (e.g., SB a/c, Investments, insurance, and credit etc),
Level 3	Advanced Financial Inclusion	Accesses any three services, such as savings, insurance, and loans, investments etc.
Level 4	Comprehensive Financial Inclusion	Uses four major financial products (savings, life insurance, loans, investments, vehicle insurance etc)
Level 5	Full Financial Inclusion	Actively use 5 services or more such as SB a/c, Loan, insurance, investments, and remittances etc.

This 5-level framework helps assess financial inclusion in a more holistic way, recognizing that true inclusion means not just account ownership, but the active and effective use of multiple financial services that support individual and community development.

In conclusion, while Govt. has focused financial inclusion by opening more No. of SB a/cs, but a true progress requires a shift towards quality over quantity. Focusing on the active adoption and usage of diverse financial services, as outlined in the 5-level framework, is crucial. By sorting out the inactive account issue and being open to innovative solutions will pave the way for more meaningful and impactful financial empowerment for all citizens.



Pareto's Principle Recipe for a Possible **"Time Bomb Event" in Retail Banking**

– Mandar Deshpande

As per Pareto's Principle, which asserts that, for any given event, 80% of the output results from 20% of inputs.

Retail banking thrives on building and maintaining a healthy mix of Current and Savings Accounts (CASA). CASA forms the foundation of low-cost deposits critical for Net Interest Income (NII), profitability, and operational stability. However, in many retail branches today, portfolio concentration has emerged as a silent disruptor. A few high-value relationships—government departments, corporates, HNIs—contribute disproportionately to the CASA base, leading to selective relationship management and customer service asymmetry.

This creates an illusion of strong performance but masks a growing vulnerability: Concentration Risk. What happens if one of these major contributors decides to move their funds elsewhere? The answer lies in understanding what may become a **"Time Bomb"** event.

What if a key customer having substantial holdings decides to move from CASA; intra-bank-to FDs or MF or any other investment avenue or inter-bank-to any other bank for better returns or services?

Cause and Effect: Portfolio Concentration and Future Implications

Over time, branches inadvertently develop a skewed portfolio—where 20% of accounts contribute to nearly 80% of CASA balances, a scenario that echoes Pareto's Principle. While this rule helps identify and nurture high-value customers, in retail banking, it may signal overdependence and fragility in the book structure.

Using Pareto's Principle with CASA Portfolio Data

Let's consider a sample branch of the CASA book:

CASA Book Segment	% of Accounts	% of CASA Balances
Segment A (HNIs, Govt)	15%	78%
Segment B (Retail Mass)	50%	17%
Segment C (Low Value)	35%	5%

Clearly, a Pareto distribution is evident. The risks emerge if even one top-tier client exits.

But this is not just about CASA. Movements into Mutual Funds (MFs) or Term Deposits (TDs) also affect Asset-Liability Management (ALM). Even though investments may remain within the financial system, intra-bank product shifts (e.g., CASA to MF) reduce the liquidity of the branch and affect its Liquidity Coverage Ratio (LCR) or Net Stable Funding Ratio (NSFR)—especially since term deposits have higher ALM weightage.

ERF or Sensitivity Score is a single number derived based on the 1% contribution (in terms of value) of an account in overall book.

Defining the Risk: Concentration and Erosion

Concentration Risk

Concentration risk arises when a large portion of a branch's CASA book relies on very few accounts. It is dangerous because:

- Loss of a single relationship can erode a large part of the deposit base.
- It creates instability in the book structure.
- It distracts from serving the broader customer base.

Example

- Branch CASA Book: ₹100 Cr
- Top 3 Accounts: ₹45 Cr (45%)
- If even one ₹20 Cr account moves, 20% of the book is lost overnight.

Erosion Risk

Erosion risk is the potential loss to the book if high-contributing accounts withdraw or migrate their funds. It manifests as:

- Reduced NII
- Disrupted targets and planning
- Branch staff morale and credibility issues

Sensitivity Score & Erosion Risk Factor (ERF)

Although terms like Erosion Risk Factor (ERF) and Sensitivity Score originate from environmental impact studies, they can be adapted (with caution) to banking to measure account concentration and withdrawal sensitivity.

ERF can be interpreted as a qualitative factor integrating the Sensitivity Score with other dynamics, like:

- Vintage of the relationship
- Transaction pattern (volatility)
- Nature of depositor (individual vs institutional)
- Seasonality

The higher the ERF, the greater the exposure to erosion.

Mitigating Concentration and Erosion Risk

To prevent the "Time Bomb Event", banks must adopt a strategic approach to portfolio management:

1. Stratify and Analyse the Book Regularly

- Conduct monthly segmentation based on balances, vintage, and activity.
- Identify high-sensitivity accounts and create risk dashboards.

2. Broaden the Base

- Fresh acquisition of high-value but diverse customers from underrepresented sectors.
- Avoid dependency on 2–3 dominant accounts.

3. Deepen Relationships Across Segments

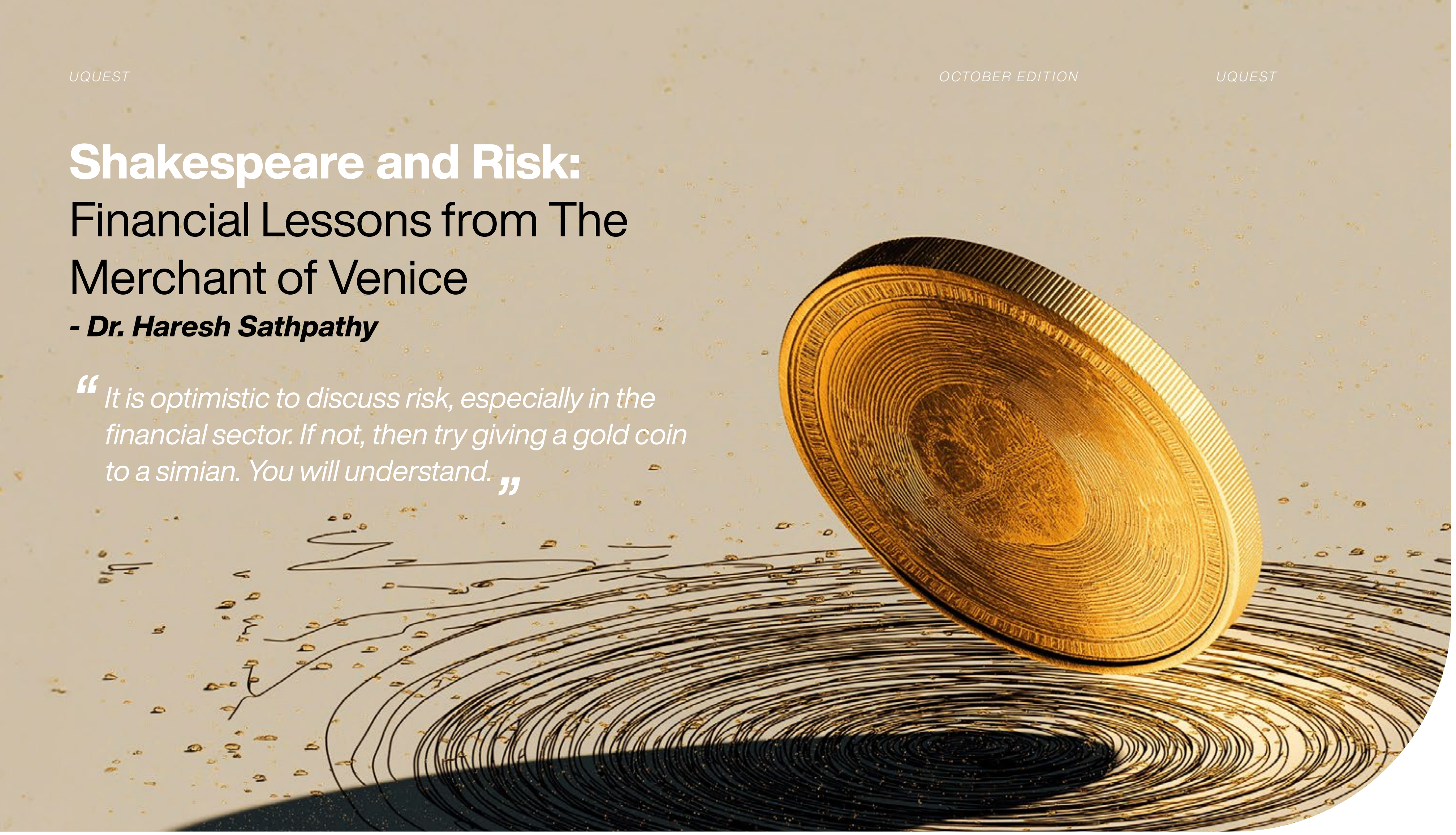
- Create bundled offerings for mid and lower-tier customers.
- Migrate lower-segment customers up the value chain using personalised engagement.

4. Align KPIs with Risk Mitigation

- Employee KPIs should encourage portfolio broad basing, not just balance build-up.
- Track Sensitivity Score concentration ratio as a branch-level health indicator.

While the 80/20 Rule can help prioritise relationship management, overdependence on it leads to vulnerability. Banks must balance the growth of high-value customers with inclusive engagement of the broader base. CASA portfolio management must shift from short-term book growth to long-term stability and risk resilience.

Ignoring the "silent signals" of concentration may one day trigger the "Time Bomb Event"—but proactive data-driven monitoring, inclusive growth strategy, and realignment of branch focus can defuse the risk and ensure sustainable banking performance.



Shakespeare and Risk: Financial Lessons from The Merchant of Venice

- Dr. Haresh Sathpathy

> *"It is optimistic to discuss risk, especially in the financial sector. If not, then try giving a gold coin to a simian. You will understand."*

My Economics professor once remarked: *"Talking about risk is wise, especially in finance. Otherwise, giving a gold coin to a monkey will teach you the lesson."* These words have stayed with me, especially when thinking about investing.

In today's volatile markets, risk management has become more urgent than ever. Wars, tariffs, and global disruptions have destabilised economies and unsettled investors. While risk may feel like a modern problem, the concept has long been part of human thought. Centuries ago, Shakespeare explored it in *The Merchant of Venice*, weaving finance, law, and ethics into a timeless lesson on overconfidence, contracts, and moral responsibility.

Risk and Human Behaviour

Human behaviour is often impulsive, leaping from one assumption to another. In Shakespeare's play, Antonio, a Venetian merchant, borrows money from Shylock to help his friend Bassanio. The bond is severe: if he cannot repay, Shylock may claim a pound of Antonio's flesh. When Antonio's ventures collapse, only Portia's intelligence, disguised as a lawyer, saves him.

This dramatic plot is also a financial parable. Antonio's decision reflects reckless confidence, Bassanio's borrowing shows short-sightedness, Shylock embodies legal rigidity, and Portia represents wisdom and ethical judgment.

The Illusion of Certainty

Antonio believed his diversified investments across multiple ships and ports would protect him. He argued, *"My ventures are not in one bottom trusted, nor to one place; nor is my whole estate upon the fortune of this present year" (The Merchant of Venice, I.i.42–45)*. Yet diversification proved inadequate when his ships faced storms, piracy, and unpredictable seas.

His failure illustrates a critical distinction that economist Frank Knight made a century ago: risk (measurable, calculable) versus uncertainty (immeasurable, unpredictable). Antonio could manage risk, but he could not eliminate uncertainty.

Modern finance has seen similar errors. The 2008 global financial crisis, rooted in misplaced confidence in U.S. housing markets, is one such reminder. Investors believed diversification in mortgage-backed securities provided safety. Hidden uncertainties triggered a collapse that rippled worldwide. Antonio's downfall mirrors this misplaced certainty: both highlight the danger of overconfidence in complex systems.

Contracts and Conscience

The courtroom trial between Shylock and Antonio raises another timeless question: Does law exist apart from morality? Shylock demands the exact enforcement of the bond, representing *legal positivism*—the strict application of law without concern for fairness.

Portia counters with legal ingenuity, pointing out that the contract permits flesh but not blood, thus preventing its execution. Her argument reflects legal realism, emphasising that justice requires both law and ethical interpretation.

The lesson is equally relevant today. Financial contracts—whether loans, insurance policies, or investment agreements—must be clear, fair, and ethically grounded. When contracts are written without consideration of morality, they invite disputes and erode trust. Modern corporate law continues to wrestle with this delicate balance between rules and fairness.

Shakespeare's Characters as Financial Archetypes

Shakespeare's play can be read as a mirror of modern financial decision-making:

1. ***Antonio*** – the overconfident investor, blind to uncertainty.
2. ***Bassanio*** – the careless borrower, driven by desire rather than prudence.
3. ***Shylock*** – the rigid creditor, bound by contract but devoid of empathy.
4. ***Portia*** – the wise adjudicator, balancing logic, law, and humanity.

Each character reflects a mindset that still exists in financial markets today. Risk management, therefore, is not simply a matter of numbers or diversification—it is equally about judgment, humility, and ethics.

Portia's famous speech on mercy underscores this point:

> *"The quality of mercy is not strain'd, It droppeth as the gentle rain from heaven Upon the place beneath... (The Merchant of Venice, IV.i).*"

Ethics and compassion, like mercy, cannot be forced but are essential to human and financial relationships.

Lessons for Modern Finance

Though written in the 16th century, The Merchant of Venice offers lessons that remain strikingly relevant:

- **Beware overconfidence.** Diversification does not eliminate uncertainty.
- **Distinguish risk from uncertainty.** Some dangers can be measured; others cannot.
- **Write contracts ethically.** Law must be tempered with fairness to build trust.
- **Borrow responsibly.** Bassanio's thoughtless borrowing mirrors modern debt traps.
- **Balance logic with humanity.** Sound financial decisions require ethical judgment.

Conclusion

Shakespeare's *The Merchant of Venice* is more than a tale of friendship and revenge; it is a timeless reflection on financial risk. Antonio's misplaced confidence, Shylock's rigidity, and Portia's wisdom together form a powerful lesson: ambition must be balanced with caution, law with ethics, and power with mercy.

For modern investors, bankers, and policymakers, the message is clear. Numbers, contracts, and models are essential, but they are not enough. True financial wisdom requires humility before uncertainty, discipline in risk management, and above all, a moral compass.

In the end, Shakespeare reminds us that finance, like life, is not just about contracts and calculations—it is about people, judgment, and the enduring balance between risk and responsibility.

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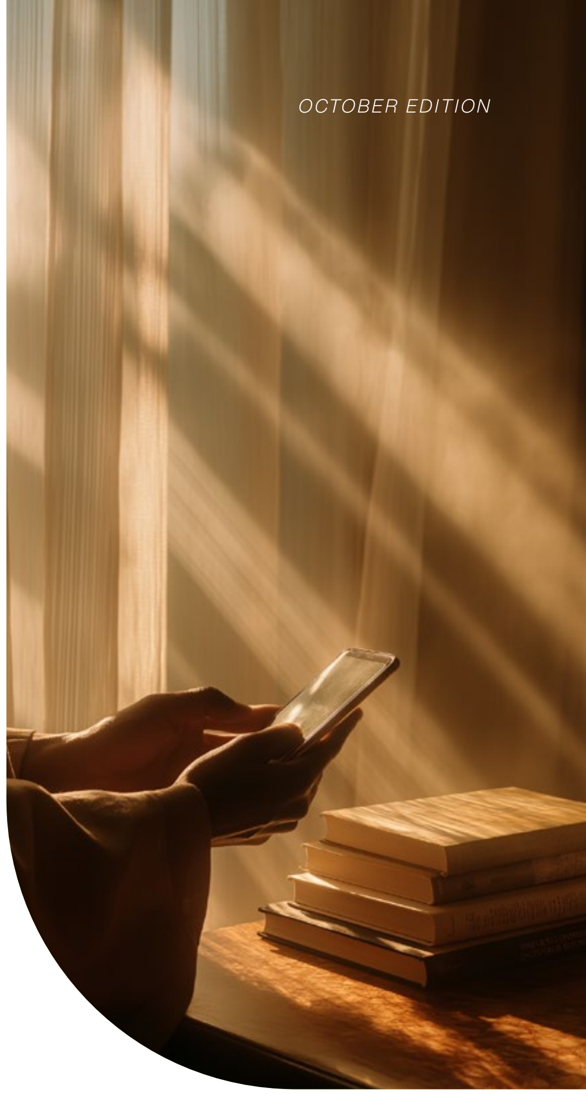
Trivia

Doomscrolling or doomsurfing is an activity which involves looking at the smartphone or computer & spending an excessive amount of time reading random news especially negative news. It's a compulsive and addictive behaviour driven by our brain's natural bias toward negative news and our desire to stay informed.

This phenomenon became widespread during the COVID-19 pandemic when people kept checking the updates on the social media & web. Today, it's fuelled by a steady stream of bad news, from Ukraine war to the Israel Palestine conflict to Trump's tantrums.

The problem with doomscrolling is that it's a vicious cycle. The more negative news you read, the more anxious, depressed and stressed you become. This stress then pushes you to seek even more information, hoping to find some sense of control or resolution, but you're only met with more negativity. This can trigger a sense of fear, anxiety or depression & impact your mental health.

To break the cycle, it's important to be mindful of your digital habits. Setting time limits for news consumption, consciously seeking out positive content which can lift your mood, and taking regular breaks from your Smartphones & laptops. Activities like going out for a walk, reading books, listening to music that soothes your mind meeting friends can help in stave off negative news.



Quest in Classroom

The Provision Coverage Ratio (PCR) is a key metric in banking that measures the percentage of a bank's non-performing assets (NPAs) that are covered by its provisions. Provisions are funds a bank sets aside from its profits to cover potential losses from bad loans. The PCR indicates a bank's ability to absorb these losses and its overall financial health. PCR is arrived at by dividing total provisions by Gross NPA & multiplied by 100.

Significance and Impact

A *high PCR* is generally a positive sign, as it indicates a bank is well-prepared for potential loan defaults and has a strong risk management framework. A higher ratio reassures investors and depositors that the bank is financially stable and less vulnerable to economic downturns.

Conversely, a *low PCR* suggests the bank may not have set aside enough funds to cover its bad loans, making it more susceptible to financial shocks. In India, RBI has mandated a PCR of 70% for banks to ensure that they are well capitalised & are able to withstand shocks.

Banking Round Up

AU Small Finance Bank
Receives Universal Banking Licence

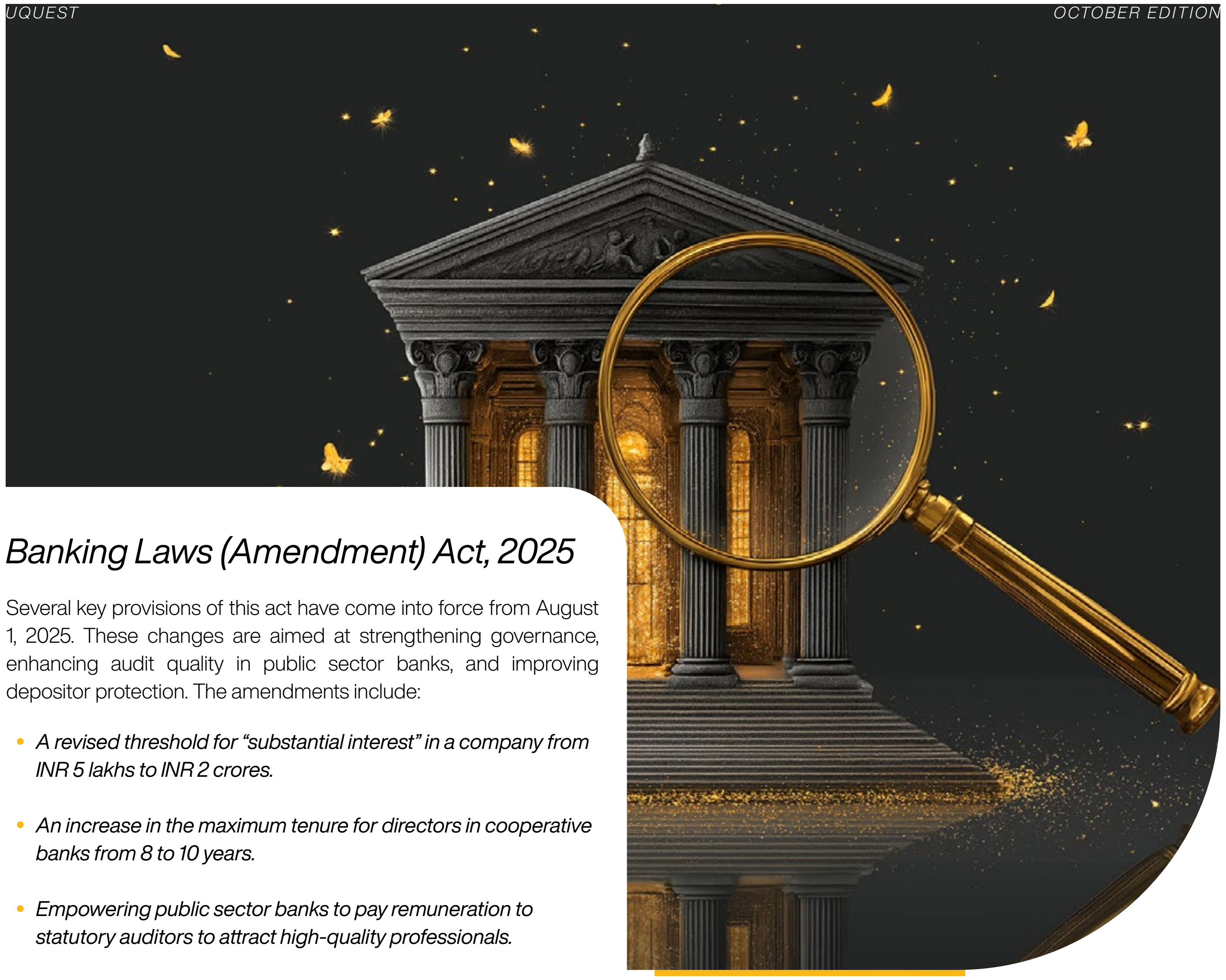
AU Small Finance Bank has been granted an in-principle universal banking licence by the RBI. This is the first such licence in a decade and is a significant milestone for the bank, allowing it to transition from a small finance bank to a universal bank. This will reduce the capital adequacy requirement and lower the priority sector lending targets for the bank.

ICICI Bank
Increases Minimum Balance Requirement

ICICI Bank has significantly increased the minimum average monthly balance for new savings accounts. For metro and urban areas, the requirement has been raised to INR 50,000 from INR10,000. This move reflects the bank's strategy to focus more on affluent customers.

RBI's
Monetary Policy Committee Meeting

The MPC which held its bimonthly meeting on August 6, 2025, decided to keep the repo rate unchanged at 5.50%. The committee maintained a "neutral" stance and lowered its FY26 inflation forecast to 3.1%. The planned reduction in the Cash Reserve Ratio (CRR) from 4 % to 3 % will be done in phases starting from September 2025. This move is aimed at injecting approximately INR 2.5 trillion in liquidity into the banking system by the end of December 2025.



Banking Laws (Amendment) Act, 2025

Several key provisions of this act have come into force from August 1, 2025. These changes are aimed at strengthening governance, enhancing audit quality in public sector banks, and improving depositor protection. The amendments include:

- *A revised threshold for "substantial interest" in a company from INR 5 lakhs to INR 2 crores.*
- *An increase in the maximum tenure for directors in cooperative banks from 8 to 10 years.*
- *Empowering public sector banks to pay remuneration to statutory auditors to attract high-quality professionals.*

RBI Announcements and Regulatory Changes

Simplification of Deceased Customer Claims

The Reserve Bank of India (RBI) is taking steps to standardize and simplify the process for nominees and legal heirs to settle claims related to a deceased person's bank accounts and safe deposit lockers. A draft circular has been issued, proposing that banks must settle claims within 15 days of receiving all necessary documents. The proposal also includes penalties for delays, with banks required to pay the bank rate which is 5.50 % plus 4% interest on deposits and a penalty of INR 5000 per day for delayed locker settlements.

Financial Inclusion Initiatives

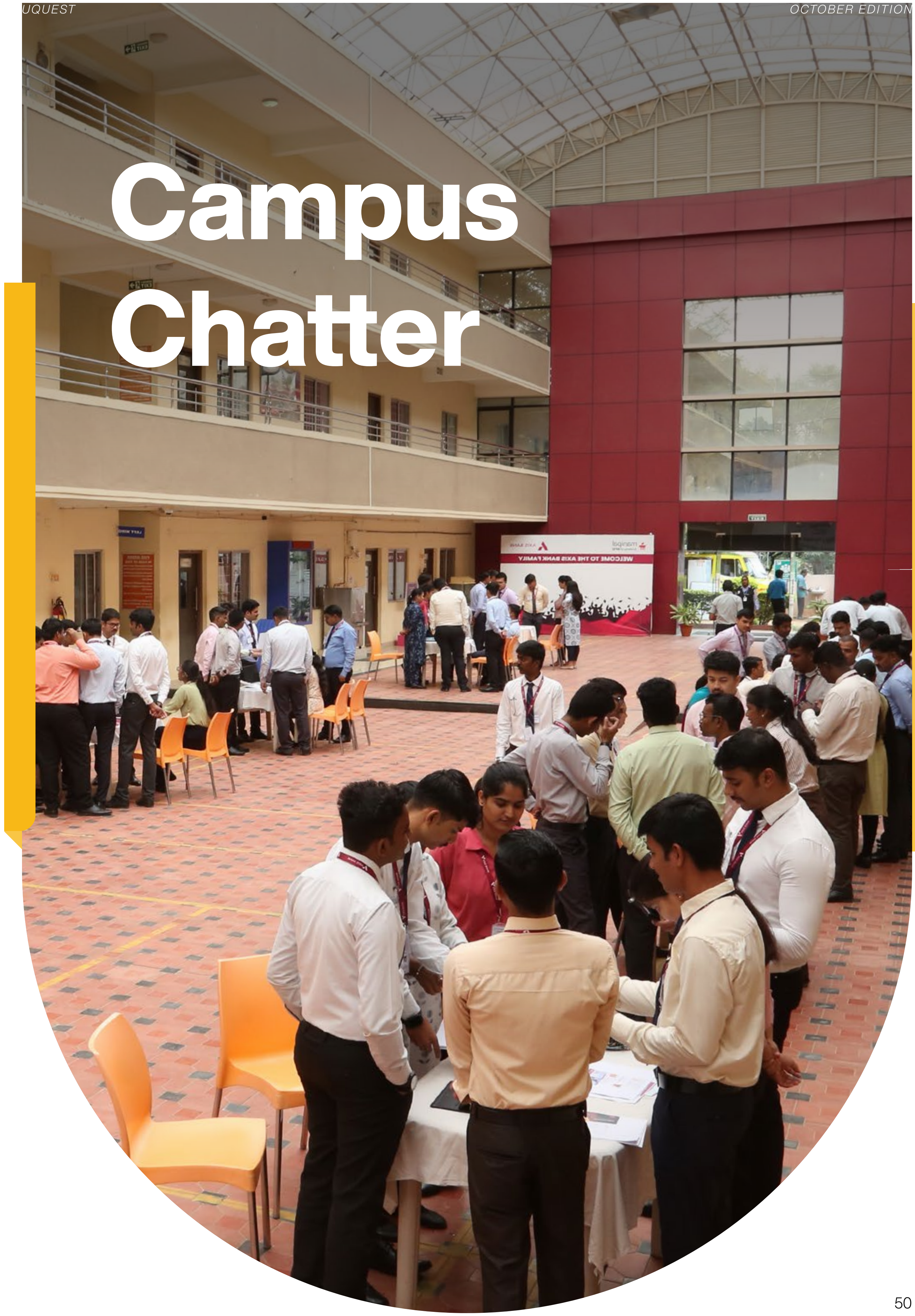
The RBI announced several consumer-centric initiatives to promote financial inclusion.

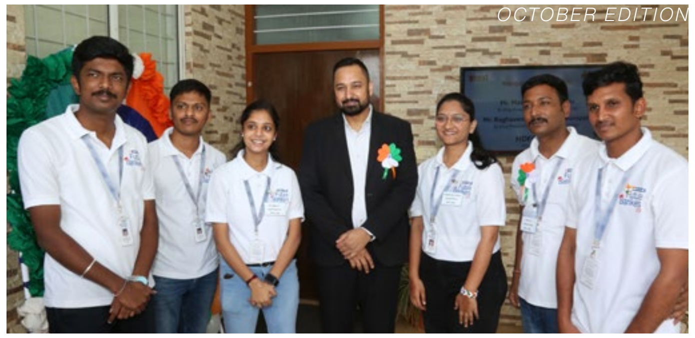
Banks will hold camps at the panchayat level from July 1 to September 30 to assist with re-KYC (Know Your Customer) for Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts, which are now ten years old.

The camps will also focus on opening new accounts and offering micro-insurance and pension schemes.

The RBI's Financial Inclusion Index has risen to 67 in 2025, up from 64.2 in 2024, reflecting growth in access, usage, and quality of financial services.

Campus Chatter





Hands-on projects, visits from senior bank leaders, and lively cultural events turned the campus into a hive of activity.

Students applied learning in real-world scenarios, soaked up industry insights, and collaborated beyond the classroom, proving that at Manipal Academy of BFSI, growth and experience happen everywhere, not just in textbooks.

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