AIBEA's Banking News

2 JULY 2017

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

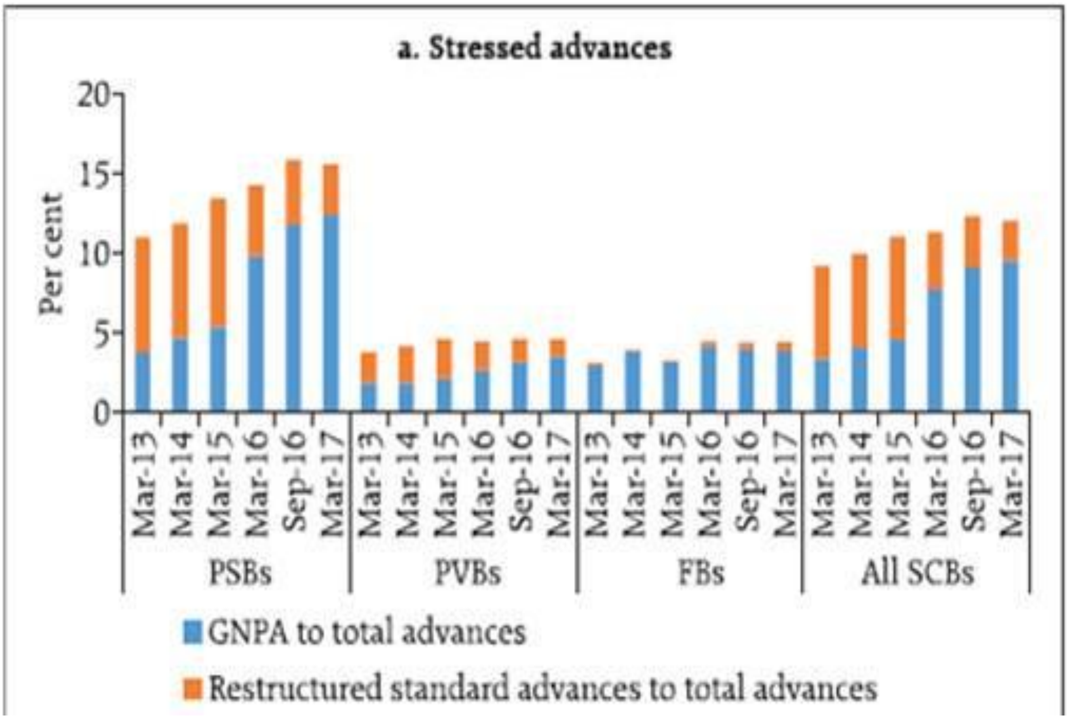
Gross NPAs rise to 9.6 per cent in March 2017

Niti Kiran New Delhi : July 1, 2017 businesstoday.in

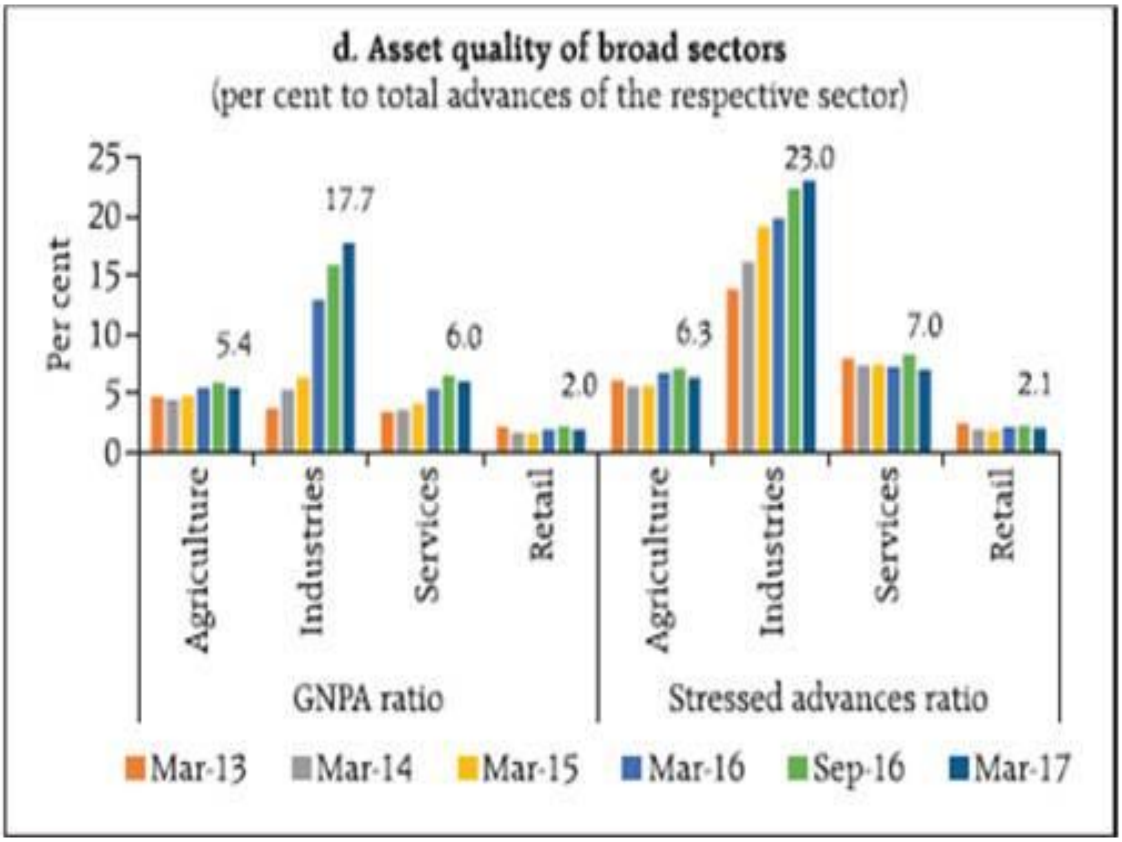
The gross non-performing advances (GNPAs) ratio of scheduled commercial banks (SCBs) rose from 9.2 per cent in September 2016 to 9.6 per cent in March 2017, according to the Financial Stability report released by the Reserve Bank India today.

The net non-performing advances ratio of SCBs increased marginally from 5.4 per cent in September 2016 to 5.5 per cent in March 2017.

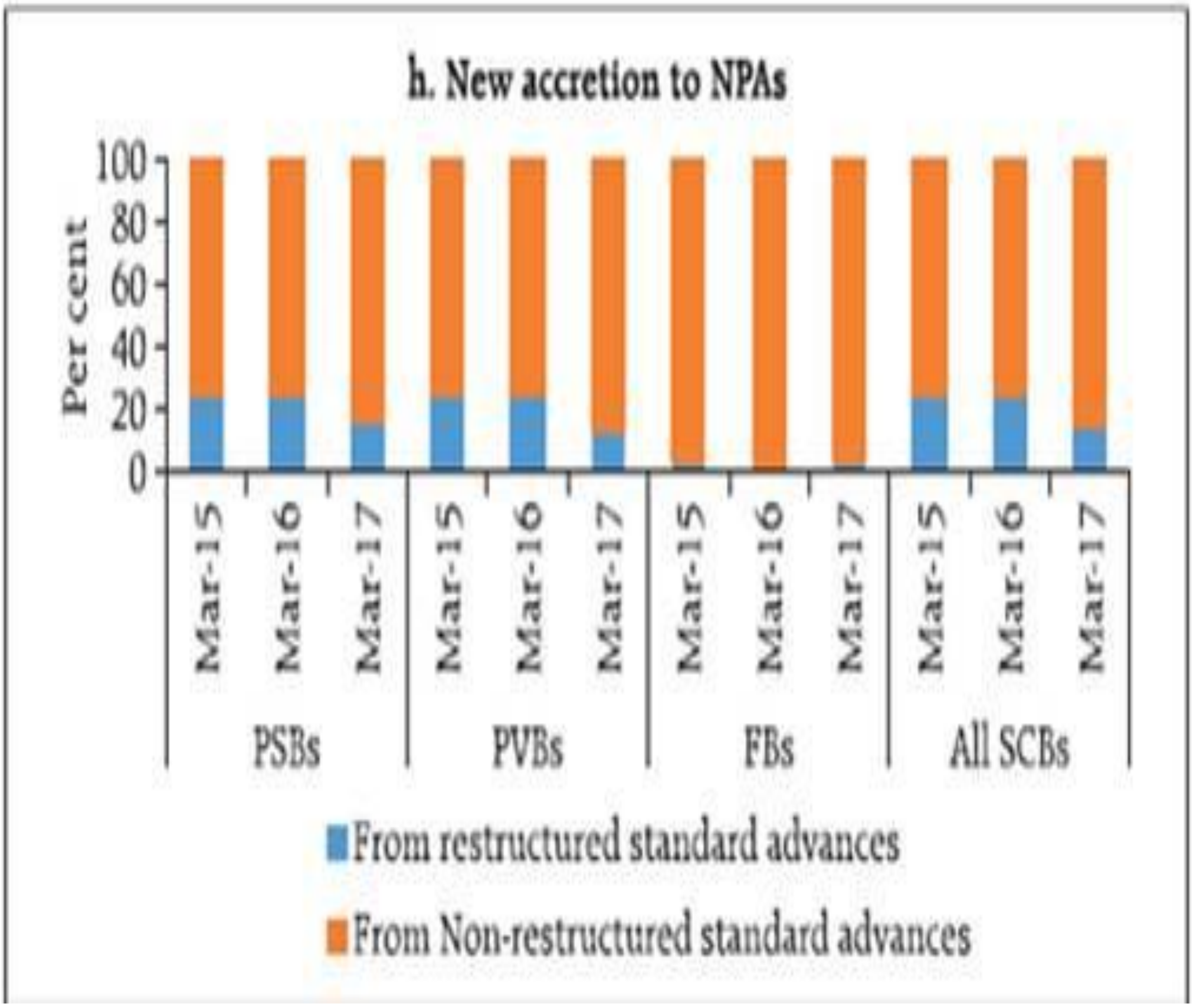
However, the stressed advances ratio declined marginally from 12.3 per cent to 12.0 per cent due to fall in restructured standard advances.



According to the report, there was a fall in stressed advances ratio in agriculture, services and retail sectors. This ratio in the industry, however, rose from 22.3 per cent to 23.0 per cent mainly on account of subsectors such as cement, vehicle, mining & quarrying and basic metals.

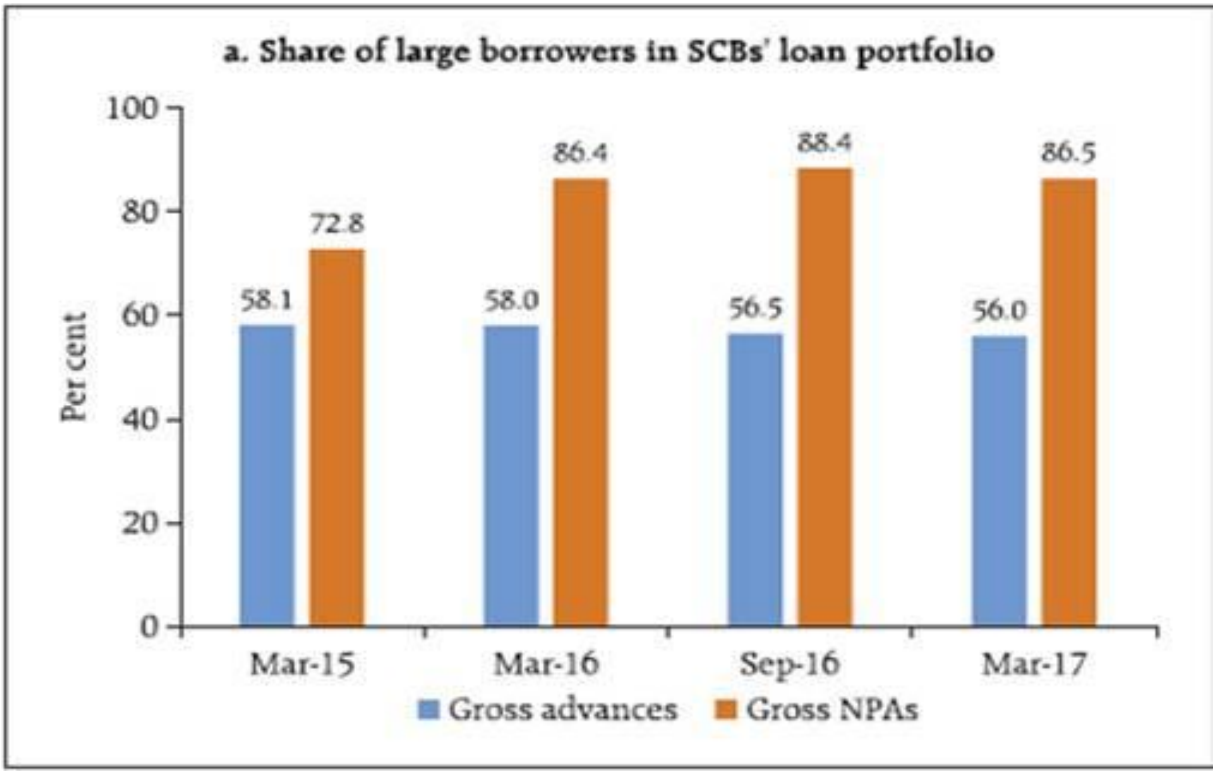


Accretion of new NPAs from restructured standard advances declined in 2016/17



Large borrowers, defined as those with aggregate fund-based and non-fund based exposure of Rs 50 million and more, accounted for 56 per cent of gross advances and 86.5 per cent of GNPAs of SCBs. Top 100 large exposures accounted for 15.2 per cent of gross advances.

Non-performing accounts within top 100 exposures contributed to 25.6 per cent of GNPAs of SCBs. While the level of GNPAs of large borrowers increased between September 2016 and March 2017, their restructured standard advances declined during the same period resulting in reduction of total stressed advances by 1.8 per cent.



Bank unions against mergers, reforms

TelanganaToday | Business Bureau | Published: 30th Jun 2017

The unions are planning to strike work on August 22 and also decided to go on strike on two other days in October and November this year.

Hyderabad: The United Forum of Bank Unions (UFBU) has decided to strike work on August 22 against reforms, mergers and other issues. It has also decided to go on strike on two other days in October or November this year. The unions have also decided to hold rallies to press for their demands.

The UFBU, comprising nine unions in the banking sector, also urged the Indian Banks Association (IBA) to expedite wage revision and other issues.

The bank unions are demanding not to privatise Public Sector Banks, stop plans of mergers and consolidation of banks, do not write off corporate non-performing assets (NPAs), declare willful default of bank loans as criminal offence, implement recommendations of Parliamentary Committee on recovery of NPAs, ensure accountability of top management/executives for bad loans and put in place stringent measures to recover bad loans.

They are also pressing the government to withdraw proposed Financial Resolution and Deposit Insurance (FRDI) Bill, abolish Banks Board Bureau, not to pass on the burden of corporate NPAs on bank customers by hiking charges, not to increase service charges in the name of GST, reimburse of cost of demonetisation and other government schemes to banks by the government.

In addition to these, the unions are seeking to settle issues of employees and officers connected with demonetisation scheme, fill up posts of employee/officer director(s) in banks, implement compassionate appointment schemes in banks as per government guidelines, removal of Gratuity Ceiling under Payment of Gratuity Act, 1972 & Total Exemption of Income Tax on Gratuity and Leave Encashment on retirement, pension related issues similar to RBI/Central Government including for past retirees, and adequate recruitment in all cadres.

The unions in their recent meeting discussed several challenges faced by the banking industry.

They observed that instead of taking urgent remedial measures to recover the alarmingly increasing bad loans in the banks which are threatening to drive the banks into a serious crisis, the steps like FRDI Bill, NPA Ordnance etc. are only aimed to clean the Balance Sheets at the cost of the banks, which represent the hard earned savings of the people rather than to recover the money.

They opined that very tough measures are required including criminal action on willful defaulters to recover the huge bad loans given to the corporate houses, big business and top industrialists. It was also observed that the burden of the corporate NPAs are put on the shoulders of the common public and banking clientele in the form of hike in fees, charges, penalties, etc. for every type of normal banking services.

Has Banks Board Bureau really helped state-run banks to clear the messy system?

BY SALONI SHUKLA, ET BUREAU | JUN 28, 2017

THE ECONOMIC TIMES

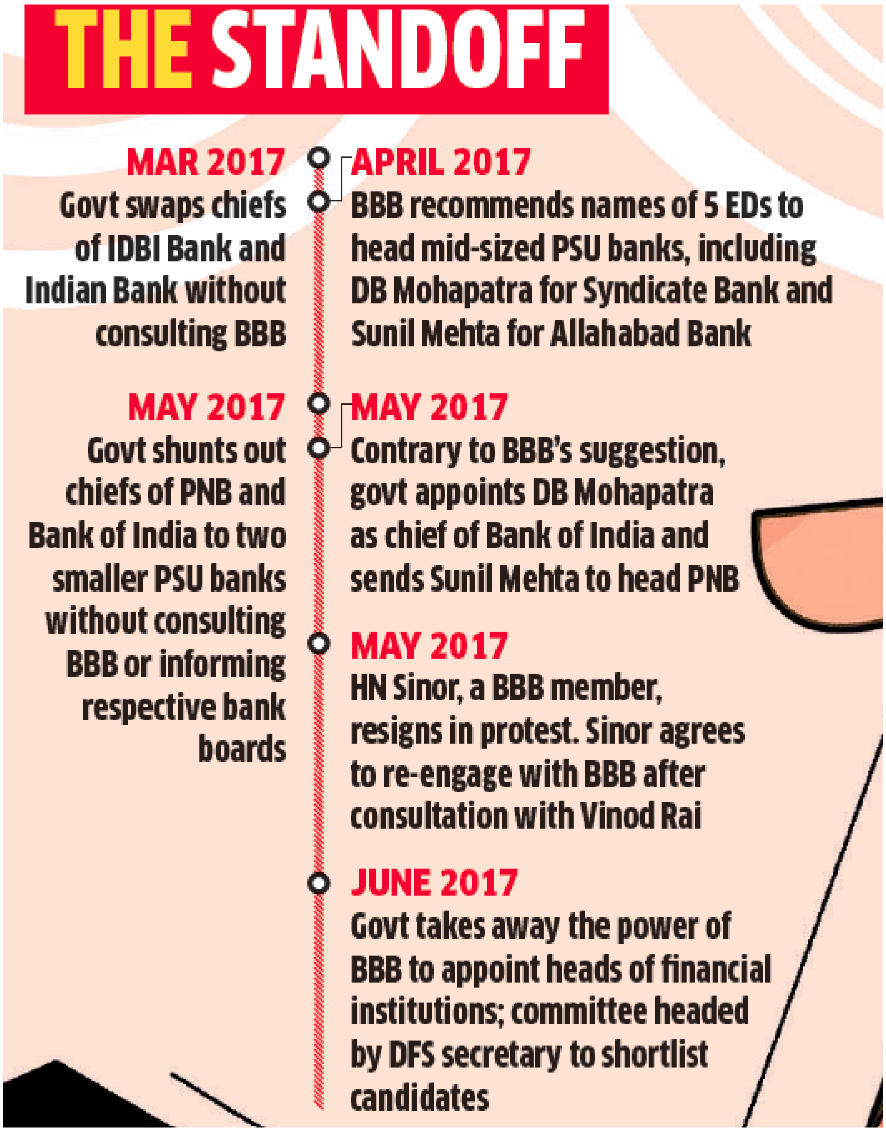
When the Narendra Modi government set up the Banks Board Bureau (BBB) in April 2016, it was to herald a new era of governance and business strategies for staterun banks that could place them on par with the relatively enviable private sector peers.

14 months later, it appears to be yet another chapter in the long history of failed attempts to free the government-owned lenders from the clutches of vested interests.

After the resignation drama, veteran banker HN Sinor, may have returned to the Bureau at the persuasion of his friend and the chairman of the BBB Vinod Rai, and two more industry experts may have been added to it – former chief executive of rating company Crisil Pradip Shah and former chairman of Allahabad Bank Subhalaxmi Panse – but life will not be the same again, if at all there is life.

Cracks in the system is getting wider with no clear mandate for the BBB and the administration comprising serving bureaucrats snubbing the Bureau under the cover of directing it to select chiefs of non-banking financial companies as its mandate on the issue is opaque.

It is a classic case of the deeply entrenched and powerful incumbents striking back at an alien that has descended to usurp the powers of the bureaucracy which controls state-run enterprises on behalf of the government. To be sure, the government and bureaucracy have reduced their interference in banking operations.



"The IAS lobby is responsible for all the ills of the society," says former RBI deputy governor KC Chakrabarty. "The point is, bureaucracy does not want to give up its power to these people because BBB does not have any constitutional right." The BBB has been in tumult in the past few months. In May, the government overnight transferred the chief executives of Punjab National Bank and Bank of India to other banks without even consulting the BBB, which recommended them in the first place, or even the respective bank boards, which the market regulator would hold as corporate governance violation for any company.

The BBB came out on the recommendations of the Nayak Committee which said an independent body should be empowered to choose the chief executives and members of the board of state-run banks. It also said the body should become a holding company for banks, so that it becomes a professional one without interference from the political system. "I don't think the present BBB structure is workable," says DK Mittal, former secretary in the department of financial services. "The structure which works is the earlier structure.

You can refine it a little… add more experts. When the earlier committee was structured, you had everybody in that committee who would need to have been consulted as per the rules of the day. You can't write off the government. It doesn't work that way and they are not part of the bureau."

From day one, many doubted whether it would be able to deliver on the expectations since its recommendations are not binding on the government and the Appointments Committee of the Cabinet, or ACC, would still have its final say over all the appointments. BBB chief Rai did not respond to messages seeking his comment on the issue. "There is no question of government outsourcing these appointments to somebody which is what the Nayak Committee had recommended... it is simply not feasible," says TT Ram Mohan, professor, IIM Ahmedabad.

"Ultimately the government is accountable to Parliament for the appointments and performance of the public sector banks. I think we should give up this pretence that we can have an outside committee." The Nayak panel's recommendations were in the line with many previous panels to free-up state-run banks from being misused by the political class and the administrators in general. A committee headed by M Narasimham of the Reserve Bank of India in 1998 had suggested that the state bring down its stake to 33% so that banks become independent in decision making.

The previous National Democratic Alliance government under Atal Bihari Vajpayee planned to do so. But no government has been able to even seek a vote in Parliament to bring down government stake in PSU banks below 51%. The stake has remained at 51% for many years. But the subsequent United Progressive Alliance government under Manmohan Singh, a former governor of the Reserve Bank of India, did not go with it, and retained minimum holding at 51%. Half-hearted approach with no powers, or not representation for the government through the bureaucracy would lead to a logjam with bankers caught in a pincer.

In fact, the BBB over the past year has gone beyond appointments, says a person familiar with it but did not want to be identified. The Bureau has given several recommendations to the government regarding improvement in the standards at state-run banks, but they are gathering dust since the establishment is not interested in revamping the banking sector. "I don't think there is much point in discussing the solution if there is no motive," says YV Reddy, former governor of the Reserve Bank of India. "First you must have the motive and then you should have solutions. So, is there a political consensus to do? All I am saying is that till such time the political leadership is willing to do something there is no point in exploring the basis of doing this. In fact, it is not a technical discussion, it is more fundamental."

Other than improving the financials and operations, there is a need to get state-run banks which operate under a separate law to comply with the standards followed by other companies. All private sector banks operate under the Companies Act with limited liability and they comply with listing agreements of the stock exchange if they are listed. With many of the rules not applying to them, they have remained a Wild West.

"Sebi under UK Sinha was continuously writing to government that PSU banks are listed entities and should follow a listing agreement which later on became the regulation," said a member of the BBB who did not want to be identified. "So the mandate naturally fell on BBB to take care of all this and to move in this direction." There is also a belief that the BBB with its part-time approach to the entire episode is not able to do justice to the task in hand.

There are 21 state-run banks with nearly three-fourths of the market share employing over 9 lakh people. They are also in deep trouble financially with the RBI putting six lenders under the Prompt Corrective Action – which implies they require urgent attention failing which they could get into trouble. "I know all BBB members,'' says former secretary Mittal. "With due respect, they are out of tune with the present day requirements. I think it is a wrong way to select people for such an important assignment. As a part-time member, what can you do?

You will have to sit with the secretary of the department, convince them or convince the finance minister. When we pursued to get fixed tenure for chiefs of PSU banks, I had to meet the cabinet secretary and the secretary to the Prime Minister three times and convince them that I am not seeking appointment for myself." While the government has not made its stance clear on the issue – whether they would want to arm the BBB with more powers, or would do away with it – the patience of some of the members in the BBB is wearing thin. "The point is they believe that BBB is unnecessary and is creating more problems," says another member of the BBB who also preferred anonymity due to the sensitivity of the issue.

"BBB is taking away their powers. Naturally, they would stymie the whole thing and we accept the situation. What else can we do? We will have to ultimately tell them that either you wind up BBB and carry on with the old process, or else you allow BBB to function in the original form which, to my mind, will not happen. This is a futile exercise that is going on."

Axis Bank Says 8 NPA Accounts Fingered By RBI Owes It Rs 5,283 Cr

Axis Bank said eight of the 12 big defaulters highlighted by the Reserve Bank of India in its June 15 circular owed over Rs 5,000 cr to the bank.

Trisha Thomas 29-06-2017 BUSINESS, FINANCE

The RBI had given a list of 12 large accounts which together owed about 25% of the total bad loans of Indian banks. The total bad loans, or non-performing assets of Indian banks is close to Rs 10 lakh cr.

"The bank has exposure on 8 of these accounts," Axis Bank said.

It said these accounts had a total outstanding of Rs 5,281 cr, out of which 5,071 was 'fund based', meaning that funds were actually released to this extent. The remaining 212 cr was non-fund based, meaning that the exposure was largely in terms of guarantees and other non-cash items.

Axis Bank said it has already made provisions of Rs 2,497 cr against these eight accounts. Besides, 80% of the exposure was 'secured', meaning that the bank could potentially recover at least part of the money by selling assets belonging to the debtors.

On June 15, the Reserve Bank of India identified 12 accounts having over Rs 5,000 crore of non-performing, outstanding loans, and asked banks to start insolvency proceedings against these account holders.

Some banks have already started insolvency proceedings against some of the account holders.

These account holders include Bhushan Steel, which owes Rs 44,478 crore to banks, Essar Steel, which owes Rs 37,284 crore and Electrosteel Steels, which owes Rs 10,273.6 crore.

The companies will be referred to the National Company Law Tribunal, which will then try to extract as much money as possible from the assets of these companies and redistribute it among the banks.

Banks, particularly those controlled by the government, typically do not initiate bankruptcy proceedings against big companies in India as companies in India are typically well networked.

Now, pay more for bank services, premiums, credit card bills

June 30, 2017

rediff.com

Under the Goods and Services Tax, effective midnight of June 30, most of the financial services would attract a higher tax of 18 per cent as against 15 per cent as of now.

Consumers will have to shell out more for banking services, insurance premium payments and credit card bills with the GST rollout from Saturday.

Under the Goods and Services Tax, effective midnight of June 30, most of the financial services would attract a higher tax of 18 per cent as against 15 per cent as of now.

Banks and insurance companies have been already sending messages and mails to their customers about the new tax rates which would be charged.

"Dear policyholder, revision of service tax on account of GST will come to effect from July 1, 2017," said a Life Insurance Corporation of India (LIC) message.

Punjab National Bank (PNB) informed its customers that "with effect from July 1, 2017, the existing service tax of 15 per cent levied on all the banking services will be replaced by a GST of 18 per cent."

Common banking services that would attract higher service tax include debit card, fund transfer, ATM withdrawal beyond the number of free services, home loan processing fee, locker rentals, issuance of cheque books/drafts/duplicate passbooks, collection of bills, collection of outstation cheques, cash handling charges and SMS alerts.

Besides, life and non-life premiums would see an increase from 15 per cent to 18 per cent.

Canara HSBC Oriental Bank of Commerce Life Insurance Company chief financial officer Gaurav Seth said the premium amount on a term insurance policy will be 18 per cent from 15 per cent currently.

"In case of endowment policy, the first year premium is liable to be taxed at 4.50 per cent with effect from the midnight from existing 3.75 per cent and on subsequent year premium, it will rise by 0.38 per cent to 2.25 per cent," Seth said.

Bank of Maharashtra CEO and MD Ravindra P Marathe said with GST will result in increased cost of almost all services offered to customers.

The rollout is to be graced by President Pranab Mukherjee and Prime Minister Modi. Prime Minister Modi's Cabinet colleagues including Finance Minister Arun Jaitley and others as well as eminent dignitaries from the industry and acclaimed fields will also be present.

UFBU's CLARION CALL

Observe 19th July, 2017

48th ANNIVERSARY OF BANK NATIONALISATION

As 'SAVE PUBLIC SECTOR BANKS DAY'

AIBEA THIS DAY – 2 JULY	
1925	Sushil Ghosh, Former Asst. Secretary, AIBEA, veteran leader of BPBEA (date of birth) 93RD BIRTHDAY
1966	AIBEA Central Committee meeting at Delhi
2004	All India Badge Wearing Programme (Health Campaign)

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