AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Bank unions to meet Labour Commissioner to decide on August 22 strike

A failure to meet the demands will see nine bank unions go on a one-day strike next Tuesday. This will affect cheque clearances and cash transactions across the country.

By **Beena Parmar, Moneycontrol.com**

Bank unions will meet the Chief Labour Commissioner on Friday to decide on a nationwide strike planned for August 22 after talks with the Indian Banks' Association failed to convince them to withdraw the protest against privatisation of public sector banks.

In a meeting on Wednesday, representatives of All-India Bank Officers' Confederation (AIBOC) and **All India Bank Employees Association (AIBEA**) said they put forth demands before the IBA to get the government's assurance against privatisation of public sector banks and more clarity on the merger and consolidation process.

However, V G Kannan, Chief Executive Officer of IBA, expressed the view that the unions should not go on a strike at a time when talks are going on at several levels on contentious issues.

The unions will now have a conciliatory meeting with the Chief Labour Commissioner in New Delhi on Friday.

A failure to meet the demands will see the United Forum of Bank Union (UBFU) lead nine bank unions in a one-day strike of nearly 10 lakh bank officers and employees. This will affect cheque clearances and cash transactions across the country.

C.H Venkatachalam, General Secretary of AIBEA, told Moneycontrol, "We appealed to the IBA to ask the government to make a statement against privatisation of government banks. Government is also throwing speculative information on merger and consolidation but denying any merger in Parliament. There are MOUs being signed with individual banks on one hand as well as they talk of consolidation."

According to him, government must allay fears when people think whether their banks will close down, but there is nothing concrete coming from the government.

"Even the demonetisation costs have been borne by banks," Venkatachalam added.

Though the relevance of strikes for consumers has reduced, it remains to be seen how the government appeals to the 10 lakh employees that will go on strike on Tuesday next week.

18 PSBs among top 20 banks with highest gross NPA ratios: CARE Ratings

OUR BUREAU BUSINESSLINE

MUMBAI, AUGUST 17:

Public sector banks are more stressed than their private sector counterparts with the former figuring among the top 20 banks with the highest gross non-performing asset (GNPA) ratios, according to CARE Ratings' analysis of the first quarter results of 38 banks.

IDBI Bank (with gross NPA ratio of 24.11 per cent of gross advances) and Indian Overseas Bank (23.6 per cent) have NPA ratios of over 20 per cent. Among PSBs, Indian Bank has the lowest GNPA ratio of 7.21 per cent, the credit rating agency said.

Eight PSBs banks — IDBI Bank, Indian Overseas Bank, UCO Bank, Bank of Maharashtra, Central Bank of India, Dena Bank, United Bank of India, and Corporation Bank — had a GNPA ratio of over 15 per cent as of June 2017.

YES Bank is the only bank in the sample of 38 banks with a GNPA ratio of less than 1.

State Bank of India (SBI) accounted for the largest share of about 22.7 per cent (or Rs 1,88,068 crore) in the total NPAs of 38 banks (aggregating Rs 8,29,338 crore) as of June-end 2017.

SBI, Punjab National Bank, Bank of India, IDBI Bank, and Bank of Baroda accounted for 47.4 per cent (totalling Rs 3,93,154 crore) in the total NPAs as of June-end 2017.

Among the top 20 banks, according to GNPAs in absolute terms, 18 are PSBs and only two are private sector banks — ICICI Bank and Axis Bank. These two private sector banks have a combined share of 7.9 per cent in total NPAs.

CARE Ratings said in the April-June quarter (Q1) of FY18, NPAs of a sample of 38 banks increased by a sharp 34.2 per cent on a year-on-year basis. Also, the NPA ratio increased to 10.21 per cent in June 2017 from 8.42 per cent in June 2016, which is the highest in the last six quarters.

On a quarter-on-quarter basis, the increase in NPAs has been the highest in Q1 FY18 witnessing an increase of about 16.6 per cent to reach Rs 8,29,338 crore as of June 2017.

The agency said the performance of banks with respect to NPAs has not been too positive of late. “While it was largely expected that the NPA ratios would have settled by March 2017, as there were indications of stabilisation relative to December 2017, the picture emerging for Q1 FY18 is that the NPAs have deteriorated further for the system as whole,” it added.

Crackdown on black money: Centre steps up scrutiny of shell firms

REUTERS NEW DELHI/KOLKATA,AUGUST 16, 2017

THE HINDU

Nearly 200,000 shell companies shut, more targeted; hundreds of shell firms located in Kolkata; database being assembled to nail down beneficiaries

When Prime Minister Narendra Modi banned high-denomination currency bills in a surprise move on November 8, 2016, authorities noticed a surge in shell companies depositing cash in banks, seemingly in a bid to hide who owned that wealth.

The moment, said a top aide to Mr. Modi, was an eye-opener for the government, which had not realised just how much shell companies were being used to hide assets and launder money.

Mr. Modi's office has formed a team of top law enforcement and revenue officials to go after such companies, according to the aide and a government memo reviewed by Reuters.

In July 2017, the authorities ordered nearly 200,000 shell companies to be shut down, and the aide said the government is examining hundreds of thousands more.

The systematic crackdown on shell companies — which have no active business operations or assets — is perhaps one of the most tangible outcomes of demonetisation, which aimed to hit tax evasion and move India toward cashless, digital transactions that leave a paper trail.

"We are very much at war against black money. The impact of this (crackdown) will be huge on shell companies," the aide, who cannot be named in line with government rules, told Reuters.

In his Independence Day address on August 15, 2017, Mr. Modi claimed credit for going after these companies, and warned that "looters of the nation's wealth will have to answer".

While the move to withdraw 85% of bank notes shook the economy and was widely criticised, the fight against unaccounted wealth carries overwhelming support from ordinary Indians who often have to pay bribes for government services.

A high-level task force leading the investigation has found hundreds of shell companies are registered in a few buildings in the eastern city of Kolkata, according to the government note reviewed by Reuters.

More than 400 companies listed their address in a dimly-lit colonial-era building at 9/12 Lalbazar Street.

In its warren of offices were firms offering services such as earthmoving equipment, infrastructure financing, information technology consultants and many others which had office space the size of cubicles.

Many were locked, with their padlocks coated in dust. Others were grimy residential quarters with laundry hanging from the windows.

Data separately provided by Tofler, a company information database service, identified nearly 3,000 companies in two offices in the building. Some were named after flowers.

A tax inspector said the Kolkata firms were a virtual money laundering industry and drew a parallel to the Panama legal firm Mossack Fonseca that emerged from obscurity last year after the leak of millions of documents from its offices that illustrated how the wealthy use offshore corporations to avoid taxes.

"The Kolkata industry does the work of obfuscating money trails. Kolkata companies are a huge network that take your money from one end and bring it out the other," said the inspector, who didn't want to be identified as he's not authorised to talk to the media.

Fraud and embezzlement

The shell companies support much of the fraud and embezzlement in India, tax authorities say.

The owners of these companies create elaborate smokescreens, including naming personal servants and chauffeurs as board directors, the tax inspector said, adding they are used to obscure the ultimate beneficiaries, conceal political investment, route money to evade tax, commit fraud or manipulate tenders.

Last week, the Securities Exchange Board of India imposed trading restrictions on 162 listed entities as shell companies as part of its broader crackdown on illegal offshore transfers and tax evasion.

Several firms identified in the list of front companies have challenged the decision, saying they were engaged in legitimate business.

The Serious Fraud Investigation Office is creating a database of shell companies, and has so far identified 114,269 as front firms.

The database contains details of those involved in the shell company 'ecosystem', from those who set up the companies to the beneficiaries of laundered money and the professional mediators who bring the operators and beneficiaries together, the government note said.

More than 370 front companies were listed at 23A Netaji Subhash Road, another site in Kolkata, according to the note.

Sujit Kumar Mukherjee, the secretary of the 23A Tenants Association, said he was not in a position to say if there were front firms operating from the building. "It is very difficult to say who is doing what behind the front door," he said.

'Public sector share in banking too large'

SPECIAL CORRESPONDENT NEW DELHI,AUGUST 16, 2017

THE HINDU

Shrinkage of telecom, airline PSUs was 'privatisation by malign neglect': Sharma

India's public sector is too large and is proving to be a hindrance to growth, especially in the banking sector, according to Ruchir Sharma, head of emerging markets and chief global strategist at Morgan Stanley Investment Management.

Wealth concentration

Mr. Sharma also added that most billionaires in India who had emerged over the last decade were 'bad billionaires', whose wealth was created in sectors where government help was needed to create that wealth. He also rated India poorly in terms of the skewed nature of the concentration of wealth.

"India's track record is mixed when it comes to the question of how meddlesome the State is," Mr. Sharma said in a talk organised by FICCI on Wednesday.

"The State is largely dysfunctional. One good indicator to gauge how much the State meddles is to see how free businessmen are to express their opinions about the government. My experience is that they are not very free. Their public comments do not express their private opinions," Mr. Sharma said.

"The large share of the State is holding back India's progress," he opined.

'North Korea'

"The share of the public sector, especially in the banking sector, is too large. In the banking sector, the public sector is two-thirds, the highest proportion among developing countries, except for, maybe, North Korea. The average in emerging markets is one-third."

Mr. Sharma said that the gradual shrinkage in the business activity of the public sector enterprises in favour of their private counterparts was 'privatisation by malign neglect', adding that this had happened in the telecom and airlines sectors.

"In the last three years, two-thirds of the incremental loans have been given by the private sector," Mr. Sharma said.

"If there is too much wealth concentrated in one region of a country, it leads to social unrest in the other parts," Mr. Sharma said. "India needs new cities to come up. China added 20 new cities (with populations of more than 1 million) while India has not added even one over the last 2-3 decades."

This means, he said, that the rural and semi-urban population in India was moving to existing cities, which are getting strained. "A healthy growth process needs urbanisation and the creation of new cities," he said.

Mr. Sharma said that typically manufacturing was the key to economic success, while commodity-producing economies do poorly over time. "Yes, investment has gone up in India, but manufacturing is not where it should be," he said. "Even from a job creation standpoint, most jobs are generated in manufacturing."

He added that another concerning aspect was that while foreign investment was flowing to India, domestic investors were choosing to go abroad instead. Last year, 6,000 millionaires left the country, compared with 4,000 in the previous year, he said.

Mr. Sharma did, however, praise the Indian economy on inflation, saying that it was now back at the developing economy average.

BANKING REGULATIONS(AMENDMENT) BILL, 2017

DEBATE IN RAJYA SABHA 10 8 17

SHRI TAPAN KUMAR SEN – CPI-M (WEST BENGAL):

I thank you Mr. Vice Chairman, Sir. I crave your indulgence for time as I have many things to say on this Bill. Before passing this Bill, the House and the Government must taken note of my points. So, I crave your indulgence.

Sir, basically, this Bill is empowering the RBI to give direction to banks to invoke the Insolvency and Bankruptcy Code against the loan defaulters. The 'loan defaulters', to begin with, has been given a respectable name called 'Non-Performing Assets.' And, thereafter, it has been given the name of 'Stressed Assets.' After that, it has been given the name of 'Noncooperative Borrowers.' Sir, those who are pilfering banks' money in the name of investment are given a respectable name! This is all tax-payers money. And, you are giving them a respectable name!

Secondly, the CEO of the NITI Aayog is uttering, day-in-and-day-out, in the media that everything should be privatized. In this context, I wanted to know whether you are taking any action against banks. It is fraught with many apprehensions as to what your real intention is. This apprehension has further been substantiated by a similar utterance by the Deputy Governor of the RBI by giving a clarion call that banks should be reprivatized! In this background, I think, before passing this Bill, it is the duty of the Government to clear and clarify these apprehensions.

Sir, the Bill empowers banks, through the RBI, to invoke action against defaulters. It is a welcome step. Sir, I have an occasion to agree to the statement made by the hon. Finance Minister that, yes; it is already late and we are taking action. The issue of mounting NPAs has consistently been talked about in this House and we have been demanding action against defaulters. Now, the hon. Minister is saying that the Government is late in taking action. So, the Bill should be passed. I agree that this Bill should be passed.

And, I also agree that you are late in taking action. But, the context in which you are taking action is raising apprehension. You have already, through the RBI, made a public statement that banks should go in for a 'haircut' to address the NPAs. What is 'haircut?' It means, writing-off loans.

Already, Sir, a good amount has been written-off. Whose money is this? It is people's money in banks. How do you write-off? A good amount has been written-off. Sir, some Rs. 3 lakh crores has been written off! And, your Deputy Governor of the RBI is promoting the idea of a hair-cut! Then, you brought another Bill -- it is in the process of preparation -- called Financial Resolution and Deposit Insurance Bill. It is being conceived with sweeping arbitrary powers to a resolution board constituted under this Bill to liquidate banks. So, the FRDI Bill is being brought and structured to liquidate banks which are under loss!

And, at the same time, the Deputy Governor of the RBI talks everyday that everything should be re-privatized. And, at the same time, you are suggesting for a haircut! It means, give away loans at a time when many people are involved in that. So, in this background, how this action is going to be effective has to be seen. To keep it non-effective, you are intentionally empowering banks, through the RBI, to recover loans under the Insolvency and Bankruptcy Code in a manner so that banks need not be held accountable. Why is RBI in between?

It is banks which are suffering from loan defaults. Some people took money and are not paying back. It is banks which are suffering from loan defaults. If they have to recover money, they are being given an instrument; fine. It is welcome.

Now, for application of that instrument and to see whether banks are properly applying that instrument, how do you held banks accountable if they are to act as per the direction of the RBI? What is the attitude and approach? Sir, names of only 12 companies came in the public domain against whom action is proposed to be taken! What is the amount involved? It is Rs. 2.53 lakh crores. It is less than 25 per cent of the total estimated NPAs. The Government is also agreeing to this figure. It is hardly 25 per cent. Sir, it has been talked about a number of times by the Government that 80 per cent of NPAs are due from just 50 companies.

These 50 companies cannot be straightened. The sovereign Government of India is having sovereign powers, but they cannot take an appropriate action against 50 companies. Only against 50 borrowers! And, who are they? They are accompanying the Ministers in their foreign trips. And, these foreign trips are facilitating concert with those private companies in Israel and other countries.

So, these apprehensions must be cleared by the Government. Privatization cannot be a solution. I would like to draw the attention of the House and also that of the Government to another fact that besides the banking system many other public sector companies are being targetted for privatization.

Hon. Minister says that the power sector is also suffering because of the NPAs. Hon. Steel Minister is sitting here. Please note that the steel sector is facing a severe crisis. But, none of the public sector steel company has defaulted in their obligation to service the loan taken from the banks. Hon. Minister should confirm this. The SAIL is bleeding after a loss of Rs. 4,000 crores. **But, they have not defaulted on their obligation of debt servicing to the banks**.

You are targetting to privatize the **Air India**. Yes, they are in severe soup. But, even then, **they have not defaulted even for a single day in repaying their loans to the banks**. But, you are targetting them for wholesale privatization.

Today, you are empowering the banks to invoke the Insolvency and Bankruptcy Code on the companies who have taken loans. Tomorrow, the BIFR Bill empower the Government to invoke the Insolvency and Bankruptcy Code on the banking companies also, including the nationalized banks. What is your plan? What is your programme? That raises a doubt. That raises apprehensions. That creates the problem of credibility. I welcome the steps to empower the banks.

But, my suggestion is, please take out the RBI from the picture. The RBI is a regulator. They are not service providers. It is a Government-owned bank. The Government must direct and the banks should be directly empowered to invoke the Insolvency and Bankruptcy Code. And, if they don't invoke, their Boards can be held accountable. A quick recovery is possible only through this process. In between, you keep another agency, which is loaded with different ideas. If being targetted to be privatized, even this project will not meet even the minimum success. I can tell you this in advance. That is, at least, my understanding.

So, my suggestion is – accordingly, my colleague. Shri T.K. Rangarajan has moved certain amendments also – that they should directly be empowered and the role of the Reserve Bank of India is to supervise, to regulate, but not to direct. They cannot select the companies. The responsibility of selecting the companies against whom the Insolvency and Bankruptcy Code is to be invoked has to be discharged by the Board of Directors of the bank. Only then, the accountability can be established and the process can be expedited. Otherwise, it is not possible. Otherwise, it will only be 12 companies. Rest of the 38 companies will be let free.

And, they will be given the facility of haircut and, finally, the banks will be handed over through privatization in the hands of the same people who have pilfered the bank money and have made our banking system bleed. So, my humble request to the hon. Minister is to kindly consider this position. I welcome that the banks should be empowered. To that extent, this Ordinance as well as Bill has facilitated that arrangement but, partially, with a defect.

Make banks directly responsible and directly accountable. Empower them to invoke Insolvency and Bankruptcy Code on those debtors who are making the bank bleeding. Sir, kindly take note and scrutinise those who are now responsible for the NPAs, I mean those 50 companies. You are not bringing them in public domain. You have a political problem, I understand. But the fact is that in the big companies having multiple businesses, in a group of companies, one company is suffering with NPAs while other companies are still enjoying loan from the banking system. They are still getting loans from the banking system.

Sir, my suggestion is that make the names of those 50 borrowers available in the public domain. While the Government will be exercising monitor's role, people should also be allowed to monitor the situation. Directly empower the banks. Don't keep the RBI in between. Let the Government and the Ministry direct the bank, and, accordingly, the Bank Boards be made responsible.

In the Bank Board, the representative of the Ministry should also remain. The Bank Boards be made directly responsible to invoke the Insolvency and Bankruptcy Code on the loan defaulters. With that only, we will quicken up the process of recovery, at least, to some extent, of the people's money which is deposited in the banks and teach those crooks a lesson. That is my only request. I urge upon you to accept my Amendments on that issue.

AIBEA THIS DAY – 18 AUGUST	
1964	Preliminary Agreement (Interim) signed on First Bipartite demands. Two slabs of DA, one increment for Sub Staff and abolition of Area IV agreed.
1968	AIBEA delegation meets Shri. V V Giri, Vice President of India and submits Memorandum on deletion of 36 AD and 54 AA from Social Control Bill.
1977	Two hours strike on 3rd Bipartite Demands.
1992	AIBEA, AIBOA and LIC Unions meet Finance Minister on Pension issue.

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