



AIBEA's OUTREACH INITIATIVE

THIRUVANANTHAPURAM, BUSINESSLINE SEPT 14:

The **All India Bank Employees' Association (AIBEA)**, is offering a helping hand to banking job aspirants, as part of an outreach initiative.

This is aimed at benefitting "deserving candidates constrained by inadequate financial background" who want to sit for the IBPS recruitment examination.

AIBEA will provide them study material free of cost as also online test papers, C.H. Venkatachalam, General Secretary, said.

AIBEA has demanded recruitment to ensure adequate staff and, thus, open up opportunities for young educated persons to get employment in banks.

"In recent years, a large number of candidates have started appearing in the IBPS examinations. Among them are highly qualified hands, making the examination competitive."

STUDY MATERIAL

AIBEA is aware that a number of training institutes have come up to train the candidates but collect heavy amounts in fees.

It would now like to reach out to those who do not have the resources to attend these coaching centres. To start with, AIBEA would supply books/material to about 3,000 candidates.

All of them will be provided books, free of cost, dealing with topics such as reasoning, general knowledge, numerical ability and English.

They will also be allowed access (through AIBEA's website) to online model tests. Details will be announced shortly, Venkatachalam added.

Wilful defaults in banks cross Rs 1 lakh crore

Among financial institutions, LIC's wilful defaults came down from Rs 1,304 crore in March 2016 to Rs 1,034 crore by March 2017 and IFCI's rose from Rs 1,069 crore to Rs 1,274 crore during the year ended March 2017.

George Mathew | Mumbai | September 18, 2017 INDIAN EXPRESS:

State Bank of India topped the list of banks with wilful defaulters with Rs 15,069 crore stuck in 997 accounts of borrowers, recording a rise of Rs 2,759 crore in fiscal 2017.

Banks are witnessing a surge in wilful defaults, or refusal of repayment obligations by borrowers despite having the capacity to honour the commitments. Local lenders have seen a nearly 45 per cent spike of Rs 34,900 crore in wilful defaults from last year, according to data available from TransUnion CIBIL, a credit information bureau.

The data shows that wilful defaults by borrowers from banks rose from Rs 74,694 crore in March 2016 to Rs 1,09,594 crore as of March 2017. Over the last five years, data shows, wilful defaults rose by over Rs 84,000 crore — from Rs 25,410 crore in March 2013. Fiscal 2016 witnessed a spurt of 31 per cent, and fiscal 2015 saw an increase of 47.5 per cent in such defaults, according to the data.

State Bank of India topped the list of banks with wilful defaulters with Rs 15,069 crore stuck in 997 accounts of borrowers, recording a rise of Rs 2,759 crore in fiscal 2017. Punjab National Bank was second with wilful defaults of Rs 10,989 crore in 871 accounts. Bank of Baroda's wilful defaults soared from Rs 1,367 crore in the year ended March 2016 to Rs 4,785 crore by March 2017.

Among financial institutions, LIC's wilful defaults came down from Rs 1,304 crore in March 2016 to Rs 1,034 crore by March 2017 and IFCI's rose from Rs 1,069 crore to Rs 1,274 crore during the year ended March 2017.

The wilful-default accounts of SBI includes GET Engineering (Rs 424 crore), Zenith Birla (Rs 139 crore) and Rajput Retail (Rs 283 crore), among others. Bank of Baroda has classified Sidhivinayak Logistics for Rs 281 crore in defaults and ABC Cotspin for Rs 362 crore. PNB has filed suits against Zoom Developers, for Rs 410 crore in defaults, Forever Precious (Rs 747 crore) and Winsom Diamond (Rs 899 crore).

“There has been a rise in wilful defaults. This is an ongoing process in which banks categorise borrowers who have the capacity to repay or those who siphoned off funds as wilful defaulters. These are mostly legacy accounts,” said the senior official of a leading public sector bank.

A wilful default is defined by the RBI as one where the unit has defaulted in meeting its payment/repayment obligations to the lender when it has the capacity to honour these commitments. It also includes those that have siphoned off or not utilised funds for/from the specific purposes for which finance was availed. And, those that have disposed of or removed movable fixed assets or immovable property given for the purpose of securing a term loan.

RISING BURDEN

Wilful defaults in banks

YEAR	AMOUNT
2017	1,09,594
2016	74,694
2015	56,798
2014	39,507
2013	25,410

Source: TransUnion CIBIL; Rs/crore

BANKS WITH WILFUL DEFAULTS

BANK	AMOUNT
SBI	15,069
PNB	10,989
Bank of Baroda	4,785
OBC	4,147
Central Bank	4,023
Andhra Bank	3,847
Union Bank	3,588
Bank of India	3,573

Source: TransUnion CIBIL; Rs/crore

“The underlying borrowers who ultimately get classified as wilful defaulters provide enough signals to spot these issues at the time of providing the loan as well as on an ongoing basis during the tenure of the loan. If used proactively, these could be used to either appropriately price the exposure upfront or reduce them much before a full-blown crisis is underway,” said Rakesh Valecha, senior director and head, Core Analytical Group, India Ratings.

Businesses can fail for reasons, which could be external or internal. According to experts, while external risks are more difficult to manage, it is the internal risks that provide clues to the possibility of a “wilful default”. Internal audits, controls and procedures are a way of minimising these but experience shows that gaps, if any, show up only after a lag and it is in the rarest of cases that an impending wilful default is identified, they said.

“In most situations, it is not the letter but the spirit, which is in question. The spirit is what an appropriate risk analysis can identify much ahead of a blowout,” Valecha said.

According to Valecha, it has also been seen with certain large groups that the balance sheet of a relatively stronger entity has been used to fund growth of other entities either within or outside the group. In some cases, this is interest free and in others interest bearing, which may or may not be contractual.

The funding could also be in the form of working capital advances or other contractual arrangements. The trend continues year on year and while the argument is that this money is recoverable at a short notice, in practice, it remains a long term investment, which may or may not generate returns, and in a worst case, is written off. Some of these exposures are to entities wherein creditors have refused to disburse money given the project delays and uncertainties, said Valecha.

C H Venkatachalam, general secretary, **All India Bank Employees Association, has proposed that wilful default of bank loans should be declared as a criminal offence and criminal action initiated against defaulters.**

"Banks are suffering from huge bad loans which are today nearly Rs 15 lakh crore. The bulk of the bad loans are due from private companies, business houses and corporates. What is required today is recovery of bad loans from these private companies and not handing over the banks to the same private sector. As these bad loans are not fetching any interest, there is a loss of interest income to the banks to the tune of around Rs 1,50,000 crore. So the profits are also depressed due to this loss of revenue. In addition, banks are also providing and writing off huge sums from the profits. Hence, some banks are in loss," he said.

Fines From Minimum Balance Defaults To Amount Rs. 2,000 Crore, SBI Says

SBI expects to realise over Rs. 2,000 crore from account holders as penalty for failing to maintain minimum balance in their savings accounts.



Indo-Asian News Service | September 17, 2017

New Delhi: State Bank of India (SBI) expects to collect Rs. 2,000 crore as penalty on savings bank accounts which have failed to maintain a minimum balance, a sum which may be used to partly cover the costs incurred on the linking of accounts with Aadhaar.

The recent directive of the government to link all savings bank accounts with Aadhaar by December 31 was a "very costly affair" as lenders were already facing high costs in maintaining such accounts and complying with the KYC (know your customer) requirement, says SBI Managing Director Rajnish Kumar.

To recover such costs, including the lender's costs on ATMs and business correspondents, the bank expects to realise over Rs. 2,000 crore in the current fiscal from account holders as penalty for failing to maintain minimum balance in their savings accounts, he said.

"Maintaining savings bank accounts and complying with KYC requirement is not an easy task. Now the government has said that you have to link Aadhaar to each and every account by December 31. So I have to look at

(SBI's) 40 crore (savings bank) accounts and it is a very costly affair," he told IANS.

According to the government's mandate, all existing bank account holders will have to submit Aadhaar card numbers to banks by December 31 this year, failing which the accounts will become invalid.

Kumar said that the process would add to the costs of banks as it involves a process and making changes in the IT-backend as well.

"It (Aadhaar linking) is a costly affair because you have to contact the customer, you have to do the process, you have to make changes in IT. There are costs associated with savings bank accounts," he said.

The largest public lender said it also invests heavily in technology requirement to take care of the transactions made in the savings bank accounts.

"For maintaining savings bank accounts, there are certain costs. We have to invest heavily in technology. Our cost on technology every year is very high and that is more to take care of the transactions in (savings) accounts," he said.

"The penalty realised, we will use it to recover our outgo on ATMs. On business correspondents (BCs) channel, SBI incurs a loss of more than Rs. 400 crore. We are incurring a cost of almost Rs. 2,000 crore on business correspondents channel and ATMs per year. At least we should be able to recover that (from the penalty)," he said.

From April 1, SBI made it mandatory for savings bank accounts in metropolitan cities to maintain Rs. 5,000 as minimum balance, Rs. 3,000 in urban areas, Rs. 2,000 in semi-urban areas and Rs. 1,000 in rural areas, failing which a penalty is levied.

He said that the rest of the penalty realised would go to recover the bank's other costs, including Aadhaar linking.

According to an RTI query, SBI realised Rs. 235.06 crore as penalty till June-end from more than 60 million savings bank accounts.

Out of 27 crore (270 million) savings bank accounts which are required to comply with the minimum balance requirement, there may be about 20 per cent accounts that have not maintained the balance. We have given

them enough time and notice. These charges were applicable from April 1. Those who couldn't comply, we recovered penalty in June," he said.

Kumar said that the bank is, however, thinking of exempting senior citizens' and students' accounts from such penalty.

"There is some feedback from senior citizens and students but by and large customers have accepted this. Whether we do make exemption relating to income group, or senior citizens or students, is under deliberation. We are now doing some analysis and we will take a call," he said.

In the normal course, review on such charges happens once in a year and is effective from April 1, but based on customer feedback, the review is expected earlier, the SBI MD said.

"Review is expected earlier than 2018. Nothing is cast in iron. We will also take into account the competitive situation in the market," he said.

SBI has a total of 400 million savings bank accounts, out of which 130 million are Jan Dhan accounts and Basic Savings Bank Deposit (BSBD) accounts which are exempt from minimum balance requirement and no charges are recovered from these accounts.

SBI reviewing minimum balance charges for savings accounts

September 17, 2017 | PTI / BUSINESSLINE

State Bank of India said it is reviewing charges for certain categories of accounts for non-maintenance of monthly average balance (MAB) after receiving feedback from customers.

In April this year, the country's largest lender reintroduced charges on non—maintenance of monthly average balance (MAB) after a gap of five years.

"We have received feedback from our customers on the issue and we are reviewing those. The bank will take into account those and make an informed decision," the banks managing director (national banking group) Rajnish Kumar told PTI.

“We will internally debate whether any moderation for certain categories of customers like senior citizens and students needs to be done anywhere. The charges are never cast in iron.”

Meanwhile, **United Forum of Bank Unions (UFBU)**, an umbrella organisation of all banks unions, has sought Finance Minister Arun Jaitley’s intervention to rollback the hike in charges imposed on customers.

Besides, the representatives of UFBU, at a meeting with the finance minister on September 15, also requested him to stop the merger of public sector banks.

With regard to rising bad loans, unions have made suggestion of declaring wilful defaulters as criminals, said All India Bank Officers Confederation (AIBOC) Joint General Secretary Ravinder Gupta. AIBOC is one of the bank officer unions of the UFBU.

He further said, on the one hand banks are writing off loans of big corporates, on the other hand they are increasing charges on their customers. This is unfair and unions have requested the finance minister for his intervention.

Charges

As per the list of revised charges of SBI, failure to maintain monthly average balance in accounts will attract penalty of up to Rs 100 plus goods and services tax (GST).

In metropolitan areas, there will be a charge of Rs 100 plus GST, if the balance falls below 75 per cent of the MAB of Rs 5,000. If the shortfall is 50 per cent or less of the MAB, then the bank will charge Rs 50 plus GST.

In rural areas, the monthly average balance requirement has been kept at Rs 1,000. Any shortfall in maintaining minimum balance in rural areas can attract penalty in the range of Rs 20 to Rs 50 plus GST.

Kumar said the bank has over 40 crore savings bank accounts, which includes 13 crore of Basic Savings Bank Deposit (BSBD) and Pradhan Mantri Jan—Dhan Yojana (PMJDY) accounts.

The bank has exempted BSBD and PMJDY accounts from maintaining the minimum balance requirement.

Out of the 27 crore normal savings bank accounts, nearly 15–20 per cent are those where customers are not maintaining monthly average balance.

The bank in April had given notices to all those account holders who did not have monthly average balance and asked them to keep the minimum balance in May.

“When they did not maintain the monthly average balance in May then we recovered in June. We had recovered Rs 235 crore from such account holders as penalty,” Kumar said.

He said there is huge cost in maintaining the savings accounts and banks should be allowed to recover some costs.

“There are lots of operational costs. We also have to invest huge amount of money in technology. There are some costs which I think bank should recover,” Kumar said, adding the charges which SBI is levying for non—maintenance of minimum balance is very competitive as compared to other lenders.

He said a normal savings account holder has an option to convert his account into BSBD account which will exempt him from maintaining monthly average balance.

AIBEA THIS DAY – 18 SEPTEMBER

1918	Radha Mohan Tandon, veteran UP leader (date of birth)
1956	VIII Conference of AIBEA, Calcutta. A C Kakkar and Prabhat Kar elected President & General Secretary.
1957	Compensatory Allowance Struggle in Calcutta. Solidarity strikes by SBI Staff Federation, Calcutta and Delhi.
1970	Two hours' strike – second Bipartite discussions.
1974	One day strike against Compulsory Deposit Scheme.
1978	All India Demands Day – 3 rd Bipartite discussions.
2003	Badge wearing Day – Campaign on “ people’s Money for people’s welfare”



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**OCEAN OF BANK EMPLOYEES
FLOODING THE SANSAD MARG
IN DELHI ON 15TH SEPTEMBER, 2017**

