



## RBI INSOLVENCY MOVE TO RESOLVE NPAS NOT CORRECT: REDDY

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### *RBI insolvency move to resolve NPAs not correct: Reddy*

New Delhi: The Reserve Bank of India's (RBI) move to direct banks to take the major debt defaulters through the route of insolvency in order to tackle non-performing assets (NPAs) was principally "not correct", former RBI Governor Y.V. Reddy said on Friday.

"It is essentially a problem of the public sector banks, which are owned by the sovereign. In a way asking RBI to take the initiative in solving the problem (of NPAs) is extraordinary," Reddy said here at the 20th JRD Tata Memorial Lecture organised by the Associated Chambers of Commerce and Industry of India (Assocham).

"In principle, I agree it is not correct. I didn't say it is not the best option. But the regulator's measure is special."

Reddy said banking was a business where one needed to take risks. "Essentially, it is a macroeconomic, banking and public sector problem.

"If it (NPAs) is fixed quickly, the better," he added.

Reddy also said that if there was a difference in the public and private sector banks' performance, then it should be attributed to its governance.

"Overall, the problem in public sector banking is a structural problem," he added.

# Finance ministry likely to hold meeting with bankers on November 11-12

**The meeting assumes significance in the light of the recent government announcement of fund infusion in the public sector banks over a period of two years.**

*By PTI / MONEYCONTROL*

The finance ministry is likely to hold a meeting with top management of public sector banks on November 11 and 12 to discuss various issues, including bad loans and recapitalisation, sources said.

The meeting assumes significance in the light of the recent government announcement of fund infusion in the public sector banks over a period of two years.

Last month, the government had announced a Rs 2.11 lakh crore bank recapitalisation plan, of which Rs 76,000 crore will come through budgetary support and bank stake sales, and Rs 1.35 lakh crore as bonds.

The meeting, according to sources, would discuss on increased lending to Ministry of Micro, Small & Medium Enterprises (MSME), recovery on non-performing assets (NPAs), credit growth, capacity building among others.

While announcing the unprecedented Rs 2.11 lakh crore capital infusion roadmap for the public sector banks last week, Finance Minister Arun Jaitley had said, this will be accompanied by series of banking reforms over next few months.

Banks are facing mounting NPAs to the tune of Rs 8 lakh crore. The bank NPAs are skirting the double digit mark at present and expected to grow further.

NPAs of public sector banks have increased from Rs 2.75 lakh crore in March 2015 to Rs 7.33 lakh crore as on June 2017.

# Bank employees shouldered worst impact of demonetisation: Unions (Note Ban Series)

Bappaditya Chatterjee (IANS) and Venkatachari Jagannathan (IANS)

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As bank customers suffered by waiting in long queues to withdraw their money from November onwards last year, another group of people -- bank employees -- endured the hardship of extended work hours and customer anger.

The employees, say bank unions, bore the major brunt of the sudden decision announced on November 8 last year by the Prime Minister.

"Banking personnel were rigorously working towards recovery of bad loans before the announcement of demonetisation, but the entire drive of recovery got derailed after the announcement as employees had to work day and night for giving service to depositors," Sanjay Das, Assistant General Secretary of the All India Bank Officers' Confederation, told IANS.

The bank unions said that of the more than 100 persons who lost their lives during the demonetisation chaos, over 10 were bank employees and officers.

Das said that despite the enormous amount of extra work put in by the employees, very few were compensated. "Over 50 per cent of employees

and officers are yet to get their compensation for the extra work they did during the demonetisation period," Das said.

According to C.H. Venkatachalam, General Secretary of the **All India Bank Employees' Association**, the whole experience had left "a big scar in the minds of bankers". He said a million bank employees handling 1,000 million people coming to branches to deposit old notes was certainly a big task.

He said the bankers were abused by the general public for not disbursing new notes and diverting the same to others. "The RBI made matters worse by saying that sufficient number of new notes were disbursed to banks," he added.

He said the bank managements were not bothered about the problems faced by branch officials. The Reserve Bank of India (RBI) also asked bankers to work on Saturdays and Sundays. Officials in the branch were in office till late in the evening. Although some clerical staff, he said, were paid overtime, officers were left out.

Pradip Biswas, General Secretary of the Bank Employees Federation of India, said that not only employees but even the banks had not been reimbursed by the government for the cost incurred on recalibration of ATMs.

Criticising demonetisation, Biswas doubted that the whole exercise was done to unearth black money as claimed by the government. "The annual report of the RBI revealed that Rs 15.28 lakh crore, or 99 per cent of Rs 15.44 lakh crore of scrapped notes, came back into the system after demonetisation. Now the question arises: was the demonetisation scheme designed to convert black money into white?" Biswas wondered.

He said the government had described it as a fight against black money, funding of terrorist outfits and counterfeit currency. "But all their claims have fallen flat," he said.

"The scrapping of notes failed miserably in addressing its objective of striking a blow against the black economy. Instead, the side effect of the note ban has impacted the banking industry adversely," said Das, who is also the West Bengal State Secretary for the union.

The massive inflows of bank notes put a strain on the banks' daily operations and banking personnel were not able to focus on credit disbursement, which resulted in potential loss of banks' income, Das said, adding that bank credit growth came down to about 5.1 per cent in 2016-17 from an average of 11.72 per cent in the previous five years.

The apex bank too has mentioned that banks' preoccupation with exchange of notes and deposits was one the factors for low credit growth. "Credit growth touched a low in more than two decades on account of factors such as subdued state of economic activity, risk aversion of the banking sector... loan repayment by use of specified bank notes (old notes) and banks' pre-occupation with exchange of notes and deposits following demonetisation," said the RBI's latest annual report.

D. Thomas Franco Rajendra Dev, General Secretary of the All India Bank Officers Confederation, said that, initially, they had welcomed the government's move. "But it turned out to be a nightmare for the bankers."

He said people thought bankers were at fault for not disbursing the new notes, but "the RBI supplied new currencies only to private banks daily and not to government-owned banks".

Dev said the government should probe whether new notes found their way into the hands of industrialists and businessmen directly from the currency printing presses.

But some senior bank officers differ with the unions about the impact of demonetisation on the economy in the long run. "Right now people are complaining, but one thing is certain that (huge) money has come into circulation. Banks have accessed low-cost deposits and, subsequently, lenders have reduced the lending rates," said Punjab National Bank Executive Director Sanjiv Sharan.

One year down the line, economic conditions would improve, and with the government's thrust on low-cost housing and infrastructure development, credit demand would grow, he added.

"For the time being it may seem that demonetisation is disturbing the economy. But in the long run, it will help it," Sharan contended.

# India's prime minister focuses too much on appearances

*The consequences are beginning to catch up with him*



Nov 2nd 2017, The Economist

THE change in mood is remarkable. Earlier this year Narendra Modi, India's prime minister, had an air of invincibility. His government, although more than halfway into its five-year term, seemed more popular than ever. In March his Bharatiya Janata Party (BJP) won the most lopsided electoral victory since the 1970s in the country's most populous state, Uttar Pradesh. In July he launched a reform that had eluded his predecessors for decades: a national goods-and-services tax (GST). Later that month he persuaded an ally of the main opposition party, Congress, to defect to the BJP's camp, securing control of yet another state government.

Until recently another landslide at the next national election in 2019 seemed inevitable. The BJP is still likely to win, but Mr Modi is losing his sheen—and for that, he has only himself to blame (see [article](#)). All governments have their ups and downs. Mr Modi's recent setbacks, however, stem in large part from his preoccupation with presentation over substance.

Start with the economy. Growth has slowed, from 9.1% year-on-year in the first quarter of last year to 5.7% in the second quarter of this year. That is in part because of his policy of "demonetisation", in which 86% of the banknotes in circulation were abruptly voided. Mr Modi presented it as a crushing blow to gangsters and tax-dodgers, but in fact it caused great hardship and disruption, without any clear benefit.

The shambolic implementation of the GST is likely to make matters worse. The government convened a midnight session of parliament to herald its adoption—something that had previously been staged only to mark India’s independence and associated anniversaries. Mr Modi triumphantly declared the GST a “good and simple tax”. But he did not listen to his own advisers’ suggestions on how to make it so. He plumped for six rates instead of three, burying small businesses in paperwork and allowing politics to seep into the rules (the government recently cut the rate on *khakras*, a popular snack from his home state of Gujarat, from 12% to 5%). He is now suffering the consequences, as businessmen across India howl at the complexity.

### **Unfunny business**

It does not help that the government bridles at criticism and harries its critics. Media firms are anxious not to offend it; journalists who take it on often lose their jobs. The press has been asking awkward questions about the finances of a firm owned by the son of Amit Shah, the BJP’s number two; they were greeted with rebukes from ministers and a lawsuit. Even comedians who imitate Mr Modi have mysteriously disappeared from the airwaves. The resulting culture of adulation means that the government’s proposals seldom receive the sort of scrutiny and debate that might improve them.

In fact, the BJP is not that interested in policy. It offers voters mainly distraction. The new government in Uttar Pradesh, for example, has painted buildings and buses saffron—a shade associated with Hinduism—and picked fights with Muslims, leaving the Taj Mahal (built by a Muslim emperor) off a list of the state’s main attractions.

The party’s overriding focus is extending its own authority. Earlier this year the defence minister, Manohar Parrikar, resigned to become chief minister of the tiny state of Goa. The BJP had lost ground there in recent state elections, and the allies it needed to form a government insisted they would join it only if Mr Parrikar, a former chief minister, returned. The finance minister, for whom making the GST work was apparently not a full-time job, took on the role of defence minister as well for the next six months—a period of tension with both China and Pakistan. In other words, a government that prides itself on its muscular nationalism left defence policy rudderless amid rows with its main military rivals, simply to retain power in a state with just 0.1% of the population.

Politically, relentless electioneering has served Mr Modi well. The BJP and its allies control 18 of India’s 29 states; just one big one is left with

Congress. But the drawbacks, in terms of inept and inconsistent policymaking, are beginning to tell. There is even talk that the party may have a fight on its hands in elections in December in Gujarat. If Mr Modi wants to keep winning votes, he must concentrate not just on campaigns; he must also show that he knows how to run the country. Sooner or later, voters will tire of grandstanding.

### AIBEA THIS DAY – 3 NOVEMBER

<b>1923</b>	<b>Birth Day of the most precious jewel of our movement Com. H L Parwana at BATLA HARTA village, Hoshiarpur District.</b>
<b>1945</b>	<b>Preparatory meeting to discuss formation of AIBEA at Maha Modhi Society Hall, Calcutta</b>
<b>1962</b>	<b>Central Trade Unions and Trade Federations accept Industrial Truce Resolution.</b>
<b>1973</b>	<b>Massive demonstrations throughout the country against unhelpful credit policies resulting in high prices.</b>
<b>1979</b>	<b>Struggle in Federal Bank intensifies. 103 Employees including 21 ladies arrested at Head office.</b>

### AIBEA THIS DAY – 4 NOVEMBER

<b>1947</b>	<b>Justice S K Sen Adjudication proceedings on Central Bank Union Demands starts at Calcutta.</b>
<b>2001</b>	<b>Com. J Venkataraman, former Joint Secretary AIBEA Former General Secretary CBEU passes away</b>



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