AIBEA's Banking News

5, 6 November, 2017

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Bank unions seek wage hike settlement by December-end

The banks have reportedly agreed that wage hike settlement will be effective from 1 November 2017, irrespective of the date of signing of the pact

Alekh Archana, 5 Nov. 2017, Mumbai

livemint

Bank unions are demanding wage hike settlement for around 850,000 employees of public sector banks to be expedited by December-end, a deadline which is unlikely to be met as discussions on the core issue of the extent of hike is yet to start.

"There are too many moving parts and capital is a major constraint. Now with the recapitalisation announcement, each bank will plan for growth and subsequently the expenses, depending on the amount of funds it get. Lenders will then give proposal to IBA, who will negotiate with unions. This exercise will take at least a month or two," said a senior banker aware of the talks, on condition of anonymity.

V.G. Kannan, chief executive at **Indian Banks' Association (IBA**), said that talks are on-going and **so far discussions on financial matter has not started.**

These talks are under 11th Bipartite settlement as previous agreement expired on 31 October. However, banks have agreed that settlement will be effective from 1 November 2017, irrespective of the date of signing of the pact, said C.H. Venkatachalam, general secretary of **All India Bank Employees' Association**, a leading union under United Forum of Bank Unions.

The previous wage agreement was signed in May 2015 with retrospective effect from November 2012 till October 2017.

Venkatachalam said that so far peripheral issues pertaining service condition such as travel and leave allowances have been discussed.

"Unions and the management are negotiating for the past five-six months but no clear headway has been made. This time bank managements are also asking for variable-, performance-related pay. **Looking at inflation and changing work profile in the bank, burden on bank employees, we are expecting a fair and reasonable increase in wages,**" he said.

Banks are proposing entity-wise negotiation depending on the capital position as balance sheets of most lenders are stressed because of bad loan issues.

According to Karthik Srinivasan, group head for financial sector ratings at ICRA Ltd, bank-wise wage revision is worth considering given that varying impact of asset quality stress on the capital position of state-owned banks. "However, unions accepting this would be challenging because traditionally wage hikes have been industry-wide. Also, one can argue that since banks are getting capital and cleaning-up of stressed loans is underway, then why differentiate in the wage revision," he said.

PSU Banks may get Rs 70,000 cr through recap bonds this fiscal

Last month, Finance Minister Arun Jaitley had announced an unprecedented Rs 2.11 lakh crore two-year road map for strengthening public sector banks. The plan included re- capitalisation bonds of Rs 1.35 lakh crore

.

PTI/ MONEYCONTROL

The finance ministry may infuse about Rs 70,000 crore through recapitalisation bonds in the NPA-hit public sector banks in the next four months, sources said.

Last month, Finance Minister Arun Jaitley had announced an unprecedented Rs 2.11 lakh crore two-year road map for strengthening public sector banks. The plan included re- capitalisation bonds of Rs 1.35 lakh crore.

Currently, the government is in the process of finalising the structure of bonds and decision in this regard could be made by the end of this month.

The finance minister had said that there were multiple options before the government for recapitalisation bonds and they are being examined and the best ones would be explored.

Once the structure is in the place, the government would front load bond issuance and preliminary assessment indicates that it could be between Rs 70,000 and Rs 80,000 crore, the sources privy to the development said.

However, nothing has been finalised yet, the official sources said, adding that the finance ministry would get better picture of requirements of various banks after the second quarter results are out.

Non-performing assets (NPAs) of public sector banks alone have increased from Rs 2.75 lakh crore in March 2015 to Rs 7.33 lakh crore as on June 2017.

Besides recapitalisation bonds, the finance minister had announced that banks would get about Rs 18,000 crore under the Indradhanush plan over the next two years.

Under Indradhanush road map announced in 2015, the government had announced to infuse Rs 70,000 crore in state- run banks over four years while they will have to raise a further Rs 1.1 lakh crore from the markets to meet their capital requirement in line with global risk norms, known as Basel-III.

In the last three-and-half years, the government has pumped in Rs 51,858 crore capital in the public sector banks. Remaining Rs 18,142 crore would be pumped into banks over two years.

Financial engineering needed to ensure bank recap plan doesn't dent economy

RICHA MISHRA, BUSINESSLINE 5 11 2017

Sanjeev Sanyal, Principal Economic Advisor

Ring-fencing could be an option, says Sanjeev Sanyal

The Finance Ministry may have to do some tough financial engineering to ensure that the latest Rs 2.11-lakh crore recapitalisation plan for public sector banks does not further strain the country's economy at a time when there are concerns over growth slowdown.

The Ministry, which is expected to come out with a mechanism to implement this package that envisages recapitalisation bonds, will have to keep in mind the concerns being raised on impact on fiscal deficit – a situation where total expenditure exceeds the revenue.

Recapitalisation bonds count as debt after all and it is the government that is going to issue them.

Sanjeev Sanyal, Principal Economic Advisor to the Ministry of Finance, while pointing out that this is a legacy issue, told BusinessLine that "It can be argued that it is unfair to load it on to the fiscal deficit because it is a pre-existing problem which is being recognised and resolved now. Therefore, it should be ring-fenced in some fashion from the usual fiscal trajectory. I think it is a fair point."

Unlike the International Monetary Fund accounting practices, where bank recapitalisation need not be part of the deficit, according to Indian accounting practices they are. "Now, it is a longer debate whether we change our accounting standard or not. So, for this particular issue, it may be easier to just ring-fence it."

Two reasons

Sanyal gave two reasons for his suggestion: First, it will clarify for what the money is being used, and second, the value of government holdings in public sector banks. "Deficits do not always have a directly corresponding asset. But, here there is a liability side as well as an asset side. You are getting equity from the banks – there is a possibility of getting direct returns from it," he points out.

Ask him on how will the recap bonds work, he explains, "Bonds will come from the government. Banks actually have lot of cash. The reason they are not lending is because they are not fully capitalised. If banks do not have underlying capital, they can't lend as norms do not allow them to do so."

With lots of cash, what do you do? "So, here is a peculiar situation where banks have lot of cash, but cannot lend, whereas RBI has liquidity management problems and ends up paying interest for this," he elaborates, adding that "Now what government can do is borrow some of this cash using recap bonds, then put it back in the banks as capital. Then banks can leverage the capital and lend again."

When asked whether this decision came a bit late, Sanyal says, "There was a reason for this. If the government did it too early, culture change in the banking system wouldn't have happened and we would have merely funded yet another round of ever-greening. So the authorities had to hold their nerve a little in order to force realistic NPA resolutions and insolvency as well as force banks to write-down and make provisions. Only when there was some amount of pain on all parties, there will be a cultural change."

Insolvency code

Asked if he was hinting at the Insolvency and Bankruptcy Code, he says, "If recapitalisation had been done too early, then banks and debtors would not improve but go back to doing what they were doing before. Hence it was decided to use the IBC to force resolution and to empower RBI with an ordinance. Earlier, nobody was interested in resolving – neither the institutions nor debtors – because that was the culture of eternal ever-greening. IBC, NCLT and RBI's enhanced powers caused a cultural break in the way of doing business and forced serious, proper economic resolutions."

"Just read the papers to see how resolution is suddenly taken seriously," he points out.

The Finance Minister, Arun Jaitley, when talking about this package had emphasised on lending to SMEs.

Asked if the Ministry was making some special dispensation for SMEs, he says, "SMEs are part of larger picture as SMEs are especially dependent on bank financing. Even if they were good SMEs and doing everything right, suddenly they found their working capital squeezed because the bank was not willing to give normal credit, or the corporate they were supplying was going into bankruptcy."

"And unlike a big company which can go out and issue corporate bonds or borrow abroad, the SME is dependent on the banking system.

"There is recognition that this segment has faced part of the burden for this culture change, and so there is need for greater emphasis in this space."

Bank employees take out walk against corruption

Hindu, MANGALORE

***Summary**: The bank's managing director, Jai Kumar Garg, and executive director Gopal Murli Bhagat flagged off the walkathon at the bank headquarters here. Corporation Bank MD and CEO Jai Kumar Garg (holding a flag on the left) and executive director Gopal Murali Bhagat (right) flagging off a walkathon in Mangaluru on Thursday. On Monday, U. Vasanth Kini, general manager of the bank, administered the integrity pledge to all employees at the corporate office. Around 500 employees of the bank walked from the bank's corporate office in Pandeshwar to Light House Hill and back, said a release. The bank is conducting essay writing, case study and quiz competitions for employees across the country.*

Corporation Bank MD and CEO Jai Kumar Garg (holding a flag on the left) and executive director Gopal Murali Bhagat (right) flagging off a walkathon in Mangaluru on Thursday. Corporation Bank on Thursday organised a walkathon in the city for a corruption-free society, on the occasion of Vigilance Awareness Week. The bank's managing director, Jai Kumar Garg, and executive director Gopal Murli Bhagat flagged off the walkathon at the bank headquarters here. The theme of the walkathon was 'My Vision — Corruption-Free India', as directed by the Central Vigilance Commission. Around 500 employees of the bank walked from the bank's corporate office in Pandeshwar to Light House Hill and back, said a release. On Monday, U. Vasanth Kini, general manager of the bank, administered the integrity pledge to all employees at the corporate office. The bank is conducting essay writing, case study and quiz competitions for employees across the country***, As Reported By Hindu***.

According to the Newspaper,The competitions are also being conducted for school and college students. The bank is also organising 'Awareness Gram Sabhas' in its rural and semi-urban branches across the country..

PSU banks: Past imperfect, present tense, future uncertain

After bank recapitalisation, what? Will we see the government push the agenda for PSU bank consolidation to further banking reforms?

Tamal Bandyopadhyay, LIVEMINT

Arun Jaitley's big-bang Rs2.11 trillion PSU bank recapitalisation plan has led to a string of debates, discussions and unending speculation on the future of Indian banking.

Finance minister Arun Jaitley's big bang Rs 2.11 trillion bank recapitalisation announcement has led to a string of debates, discussions and unending speculation on the future of Indian banking. Banking sector analysts, the bankers themselves and the economists are looking for answers to many questions. Will this money be enough to meet the capital needs of public sector banks, keeping in mind the requirement of Basel III norms which will be in place in 2019? How much of this fund infusion is growth capital? Will the banks be able to raise money from the market sans the support of Life Insurance Corp. of India, the proverbial investor of the last resort of any divestment of the government stake? Or, for that matter, what will be the contour of the recapitalisation bonds worth Rs1.35 trillion? Will the government float a special purpose vehicle to do the job? What will be the impact of such bonds on India's fiscal deficit?

Finally, after recapitalisation, what? Will we see the government pushing the agenda for consolidation in public sector banks aggressively to follow up bank recapitalisation?

It may not be a bad idea to seek answers to some of the critical questions—which all of us want to know but don't dare to ask —through an imaginary quiz. And, for quizzing, can there be a better platform than the Amitabh Bachhan (AB)-hosted *Kaun Banega Crorepati* or *KBC*, the Indianized version of the famed British television programme *Who Want to Be a Millionaire*?

The rules for this show are very similar to those of *KBC*. On the hot seat is a retired public sector banker. He has three lifelines—phone-a-friend (he can call a friend for help to answer a question he cannot answer), 50:50 (two of the four options for an answer will be removed) and audience poll. (It has been very difficult to get a working banker as all of them are scared of the three Cs—Central Bureau of Investigation (CBI), Comptroller and Auditor General (CAG) and Central Vigilance Commission (CVC)—and don't want to forgo their retirement benefits for being candid.)

The game starts now:

AB: Here's my first question: Who is responsible for the current mess?

The options are:

a) The government (because of its frequent interference);

b) The economy (banking is nothing but a proxy for the economy and if the economy is not growing to its potential, banks cannot grow);

c) Inefficiency of public sector banks;

d) Rogue companies who siphon off money.

The Banker: (Thinks for a minute or so, and then) I would like to phone a friend.

AB: Come on, 'phone-a-friend' for the very first question? Well, whom do you want to come your rescue?

The Banker: The former boss of a very large financial institution (FI).

AB: Okay, Computer-Ji, call this gentleman.

(The former FI boss comes on the phoneline)

AB: Sir, your friend is sitting on the hot seat with me. Now you listen to him. Mr. Banker, your time starts now.

The Banker: Sir, who is responsible for the current mess in Indian public sector banks?

FI Boss: The decision to kill the financial institutions and make commercial banks universal banks, overnight.

AB: Can you please explain a bit?

FI Boss: Of course. The Reserve Bank of India in late 1990s and early this century encouraged all banks to become universal banks—a one-stop shop for all financial projects—and buried the financial institutions which were into project financing.

Do the banks know what is project financing? No; they have been financing working capital. As universal banks, they started financing long-term projects with short-term money. The average maturity of deposits is far lower than the gestation period of most projects. And, they have no knowledge of project appraisal and risk management.

AB: Tell us more…

FI Boss: SBI Capital Markets (Ltd) has been appraising most projects as the banks do not have any idea in this field but you cannot expect the merchant banking arm of the State Bank of India to know everything in this space. How much can the lender's engineers do?

AB: What does a lender's engineer do?

FI Boss: A representative of a bank who audits a project from the technical stand point with the objective of identifying, mitigating and hedging the lending institution's risks.

AB: Okay; it's clear now.

The next question. What's after the recapitalisation of banks? How do we prevent the recurrence of rise in bad debts?

Here are four options:

a) Privatisation of PSU banks;

b) Setting up of Banks Investment Company, following the recommendations of the P.J. Nayak Committee;

c) Consolidation;

d) Restructuring the boards of PSU banks for better governance.

The Banker: (Thinks awhile) I will go for 50:50.

AB: Okay, Computer Mahashay—remove two options.

(Two options—B and D—are removed from the screen and two, A and C, remain).

The Banker: (Thinks little longer) I'm a bit confused; I want to take the audience poll.

AB: Okay, Mr. Banker you seem to be very nervous from the beginning. Come on, you are a retired banker, you have nothing to lose… Come on, tell the truth.

Anyway, audience, please get ready to answer; put your finger on the voting machine…

Your time starts now.

(The graphs on the screen go up and down, accompanied by suspenseful music and then suddenly the music stops and the graphs show the answer. The audience is vertically divided between A and C—privatization and consolidation as the panacea.)

AB: Now, Banker Mahashay, there's no escape for you. Please answer…

The Banker: Well, I don't know the right answer but I know privatization is not the answer.

AB: Why do you say so? To protect the jobs of your colleagues?

The Banker: No. The government owns the banks because in a democracy, the system can be used to do a lot of things for the masses, you know. How will the government's projects for the people work? Do you know out of 30.5 crore Jan Dhan accounts, 29.52 crore have been opened by public sector banks and regional rural banks? Will the private banks ever do it this way? Will the government be able to announce farm loan waivers so frequently if 70% of the banking system was not owned by it? Can the politicians be on the boards of private banks? Privatization? No way.

AB: So, consolidation is the way forward?

The Banker: I am not saying this. May be Vichar Manthan will throw up some light on this...

AB: What's this?

The Banker: Now, I am appalled at your ignorance. The finance ministry is holding a Vichar Manthan in Delhi later this week with senior bankers to explore the path ahead. There will be different groups, brainstorming different critical issues.

Don’t you remember Gyan Sangam? It’s Version 2 of that. Now, let me go.

AIBEA THIS DAY – 5 NOVEMBER	
1974	Com. Ramen Mukherjee, veteran leader of BPBEA and UBIEU passes away
1977	5th All India UCO Bank Employees Conference. Com. Shyam Gopal Das and S Lakshmanan elected President & General Secretary.
1992	AIBEA gives evidence and submits memorandum on Bank Scam to Joint Parliamentary Committee.
2001	Com T. Chakraborti, P D Singh L K Nagda , B S R Mohan Reddy, K Chandrasekharan Nair, Alok Khare visits Seoul, South Korea to attend 6th Conference southern initiative on Globalization

AIBEA THIS DAY – 6 NOVEMBER	
1956	All India Demands Day on refund of Wage cuts, bonus and non implementation of the Award.
2008	9th B P Talks with IBA

ALL INDIA BANK EMPLOYEES' ASSOCIATION
Central Office: PRABHAT NIVAS
Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001
Phone: 2535 1522 Fax: 2535 8853, 4500 2191
e mail ~ chv.aibea@gmail.com
Web: www.aibea.in

AIBEA's NATIONAL BANKING CONCLAVE

BANKON KI UNNATHI – DESH KI UNNATHI

बैंकों की उन्नति देश की उन्नति

19TH & 20TH NOVEMBER, 2017 at MUMBAI

DAY 1 – 19TH NOVEMBER SUNDAY	
SHRI RAJEEV RISHI, CMD, CBI	INAUGURAL KEY NOTE ADDRESS
SHRI S.P SHUKLA, IAS Retd Former Finance Secretary	INAUGURAL KEY NOTE ADDRESS
PROF PRABHAT PATNAIK	- ROLE OF PSBs IN NATIONAL ECONOMIC DEVELOPMENT
SHRI PRASANT BHUSHAN	- MOUNTING PROBLEM OF BAD LOANS, WHO IS THE CULPRIT
SHRI C VR RAJENDRAN-	COMMERCIAL BANKING Vs SOCIAL BANKING, IS THERE A CONFLICT
PROF K. NAGESHWAR	- SAVE BANKS – SAVE ECONOMY – SAVE NATION - SAVE PEOPLE
PROF VICTOR LOUIS ANTHUVAN	- DO WE NEED GOOD BANKS OR BIG BANKS
SHRI. P. SAINATH	- PEOPLE'S MONEY FOR PEOPLE'S WELFARE, NOT FOR CORPORATE LOOT
DAY 2 – 20TH NOVEMBER MONDAY	
PROF. YUGAL J. RAYALU	- WHO SHOULD OWN THE BANKS
PROF. JOTHI SIVAGNANAM	- AGRARIAN CRISIS, WHAT BANKS CAN DO
PROF. SANJEEV CHANDORKAR	- MAINSTREAMING INDIA'S POOR IN BANKING
PADMASRI MRS. SUCHETA DALAL	- CUSTOMERS, KING OR VICTIM
DR. BHALCHANDRA KANGO	- ARE PRIVATE BANKS MORE EFFICIENT
PROF RAMAKUMAR	- AGRICULTURE AND ROLE OF PUBLIC SECTOR BANKS

VIBRANT BANKING VIBRANT INDIA