AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

# Why is the Budget silent on bulgin NPAs of banks, asks AIBEA

**Moneylife Digital Team 02 February 2018**


*Huge bad loans in banks is a big problem, but there is nothing much about recovering non-performing assets (NPAs) in the Budget, except for measures to tackle NPAs of micro, small and medium enterprises (MSMEs), presented by Finance Minister Arun Jaitley, says a bank union.*

In a statement, CH Venkatachalam, General Secretary, **All India Bank Employees Association (AIBEA),** says, "The recovery of piling bad loans of the public sector banks has not been addressed in the Budget.

AIBEA has been demanding stringent measures to recover the huge bad loans, particularly from the corporate defaulters. But no concrete measures have been announced. Already, there are indications that under the Insolvency proceedings, Banks are going to suffer deep haircut and huge sacrifice. But still, no other effective measures have been announced."

According to data furnished by Reserve Bank of India (RBI) and the government, by September 2017 end, NPAs, or bad loans, of state-run banks amounted to a staggering Rs7.34 lakh crore. NPAs of private sector banks, however, stood at a much lower level of around Rs1.03 lakh crore by the end of the July-September quarter.

Leading corporate entities and companies accounted for around 77% of the total gross NPAs of banks from domestic operations, a statement issued by the Finance Ministry had said.

AIBEA says it has been demanding for periodical publication of names of loan defaulters by amending the RBI Act, but it has been deliberately avoided. "This shows that Government wants to protect the corporate companies because of election funds," it said.

The bank employee union has also been demanding to define wilful loan default as a criminal offence. However, this also has been ignored indicating the nexus and vested interests, AIBEA says.

In June 2017, the RBI identified 12 NPA cases. Later it came out with a second list comprising of about 28 accounts worth over Rs1.5 lakh crore, to be taken to the National Company Law Tribunals (NCLTs) for resolutions under the Insolvency and Bankruptcy Code (IBC).

According to the union, there is also no indication that the Financial Resolution and Deposit Insurance (FRDI) Bill will not be pursued thus attempts are afoot to utilise the people's money to whitewash corporate delinquency. "Today total deposits with the banks is around Rs110 lakh crore. We need to protect this precious money of the common people of the country. Total deposits in the banks should be fully protected and guaranteed," Mr Venkatachalam said.

Earlier, in a report, CARE Ratings had pointed out that India's NPAs are growing rapidly and the country was at fifth spot in terms of high NPAs across the world. “India features very high up the order and is lower than only Portugal, Italy, Ireland and Greece. Quite clearly, the Insolvency and Bankruptcy Code (IBC) and National Company Law Tribunal (NCLT) have its task cut out to lower these numbers and make the system more robust,” the research note had said.

The seriousness of the NPA problem can be gauged by the absolute level of impaired assets in the system. “Ever since the Reserve Bank of India (RBI) had spoken of asset quality recognition (AQR) in 2015, there was an increase in the pace of recognizing these assets. It is not clear whether all have been recognised as yet, though judging from the trends witnessed so far, it does appear that the cleaning up operation on this score would be completed by March 2018. From there on, it would be more a case of incremental NPAs being generated on account of other factors rather than one of recognition by banks,” the report had stated.

# Budget 2018: Chidambaram says Jaitley failed, consequences will follow

**New Delhi:** Opposition leaders tore into Prime Minister Narendra Modi government's last full Budget presented today, with most voicing concerns over the mounting fiscal deficit.

Former Finance Minister and veteran Congress leader P Chidambaram said: "The Finance Minister has failed fiscal consolidation test, this failure will have serious consequences."

Congress president Rahul Gandhi tweeted his contempt for the newly-presented Union budget.

"4 years gone; still promising FARMERS a fair price. 4 years gone; FANCY SCHEMES, with NO matching budgets. 4 years gone; no JOBS for our YOUTH. Thankfully, only 1 more year to go," he tweeted.

Congress leader and former Union Minister Manish Tiwari dismissed the Budget quite openly.

"After servicing the capitalists, oligarchs and Khas Aadmi for four years suddenly government feels that it can fool the farmer, the labourer, the small artisan, the salaried professional that it cares about them too in an election year. Hell hath no fury like a nation scorned," he said.

Piyush Goyal, BJP leader and Railway Minister, retaliated to this saying, "Congress is forgetting that in the year before 2009 election the Congress party had allowed fiscal deficit situation to deteriorate from 2.9% to over 5% within the same year. If that is fiscal prudence then we will have to revisit the definition of fiscal prudence in India."

Former Prime Minister of India HD Dewe Gowda's reaction was welcoming but apprehensive. Praising the finance minister for his attempts to improve economic conditions, the Janata Dal leader said, "...the problems of farmers and rural people are enormous. Measures may not be sufficient."

Aam Aadmi Party (AAP), which currently holds fort in Delhi, was also critical of the budget.

Delhi Chief Minister and AAP top boss Arvind Kejriwal said, "I had expected some financial assistance to important infrastructure projects for national capital. Am disappointed that Centre continues its step-motherly treatment to Delhi."

Deputy Chief Minister and AAP leader Manish Sisodia played it along the same lines as his superior.

# Budget 2018: Trade unions slam Budget for neglecting labour woes

**Disappointed over the Budget, Bharatiya Mazdoor Sangh has decided to hold countrywide demonstrations tomorrow.**

Central trade unions including Bharatiya Mazdoor Sangh (BMS) today criticised the government for not giving attention to commoners in the Budget, saying "it has totally neglected the labour woes".

Disappointed over the Budget, the BMS has decided to hold countrywide demonstrations tomorrow.

"Even though today's budget for the first time has given more thrust to rural development, agriculture, health, infrastructure etc, it has totally neglected the woes of labour," BMS General Secretary Virjesh Upadhyay said in a statement.

He said the Anganwadi workers, ASHA karmis and other scheme workers, who are among the poorest-paid workers appointed under the Central Government, have got no relief in the budget.

He further said the middle class employees are unhappy as there is increase in the tax exemption ceiling, while the cess on income tax has been increased from 3 per cent to 4 per cent and this was done at a time when the budget claims 41 per cent increase in the tax payers' net.

He was of the view that the increase in take-home salary for women will reduce 16 per cent of their future savings in the EPF (Employee Provident Fund) when they leave their establishment within few years.

According to BMS, the workers will also have to bear the burden of merger of state-run insurance companies, and there is no government assurance on their job security, transfer, promotion etc.

He said that the budget unilaterally announces fixed term employment to be extended to all employment.

All labour-related changes in law has to be discussed in the tripartite forum and then finalized. Now the draft notification on fixed term employment issued on January 8 is pending consultation with trade unions, he added.

The BMS said it is totally unfair on the part of Government to unilaterally announce it in the Budget and this shows the total neglect of the government on labour. It termed it "a labour-unfriendly budget".

The All India Trade Union Congress (AITUC) General Secretary Amarjeet Kaur said the NDA government budget has failed to address the concerns of common man, unemployed and vulnerable sections.

She said the budget presented by Finance Minister was more of a jugglery of words, manipulation of statistics and deceitful way of putting things to sell dreams once again without backing of concrete steps and actions needed to implement the statement of 'intent' made.

She also said the Finance Minister ended with quote from Swami Vivekanand but his budget was just opposed to what Vivekanand wanted India to become as he wanted India to become a powerful nation of working people to fulfill their aspirations, and attain a life of dignity.

The budget, she said, once again gives huge concessions to corporates and big businesses including on focus to foreign investments, and continued disinvestments of public sector units to the tune of Rs 80,000 crore in the coming year.

She was of the view that the government wants to be satisfied with certificate from International Monetary Fund for the growth estimates, as it once again appeared to be committed to tag India's economy with international finance capital.

# Banks would pass into foreign hands if policy not changed: Ex-RBI governor Reddy

**PTI | Feb 1, 2018**, TIMES OF INDIA

HYDERABAD: Former Reserve Bank Governor Y V Reddy today said there is no "crisis" in the Indian banking system, but cautioned that Indian banks will eventually pass into foreign hands if there is no review of current policies.

The shareholding of foreign entities in the large private banks in India is over 70 per cent while in the public sector banks, government and LIC hold bulk ownership and foreigners own majority of the rest of the stake, Reddy said.

"We do not have 100 per cent government-owned banks. We have public sector banks with mixed ownership....Our banking system is predominantly owned by government, followed by foreigners and rest by Indians. I repeat, least by Indians," he said.

"Share of public sector banking is and will come down and under the current policy, that space will be occupied irrevocably by foreigner-owned banks unless there is a policy change," Reddy said, delivering a lecture at the Administrative Staff College of India here.

The current policy of ownership and governance in banking needs to be reviewed urgently to correct the outdated and distorted policies and this should be done before the banking system passes on to foreign owners, he said.

He also opined that there is a need to reduce the Statutory Liquidity Ratio (SLR) and the Cash Reserve Ratio to international levels for global competitiveness in the system.

"In brief, there is no crisis in banking, but banks are over-burdened with policy-induced obligations. The first step for improving our banking system is a commitment to reduce SLR and CRR to global levels as soon as possible. We cannot have globally competitive economy with over-burdened banking system," he said.

On NPAs, Reddy said not all defaulters are "cheats" but the chance of default increases if there are no incentives for repayment.

"A high-level internal inquiry within the RBI should be undertaken to fix the responsibility for excesses in NPAs in the recent years and more important, to suggest and adopt measures to improve the system as whole," he said.

# Govt to merge 3 general insurance companies

OUR BUREAU February 02, 2018 BUSINESSLINE

**National Insurance Company, United India Insurance Company and Oriental Insurance Company to form single insurance entity**

**MUMBAI, FEBRUARY 1**

The government's plan to merge the three unlisted public sector general insurance companies (PSGICs) – National Insurance Company, United India Insurance Company and Oriental Insurance Company – will create a giant much bigger than New India Assurance Company, India's largest general insurer, going by the insurance regulator's data for FY2017.

The three PSGICs, which along with New India Assurance received Cabinet approval in January 2017 to get listed on the stock exchanges, had initiated the process of tapping the capital markets.

**Listing process**

Following the announcement in the Budget that the three PSGICs will be merged and be subsequently listed, they will have now to halt the listing process. New India Assurance, which is also the largest PSGIC, got listed in November 2017. Going by the 2016-17 annual report of the Insurance Regulatory and Development Authority of India, New India Insurance Company was the country's biggest general insurer, with gross direct premium (GDP) collection of Rs. 21,598 crore in FY2017. It accounted for

16.50 per cent of the GDP of general and health insurers in FY2017. TheGDP of the unlisted three PSGICs put together amounted to Rs. 41,462 crore in FY2017.Collectively, they accounted for 32 per cent of the GDP of general and health insurers in FY2017.

K Sanath Kumar, Chairman-cum-Managing Director of Kolkata-headquartered National Insurance Company, said that as a single entity, the merged company would emerge stronger and its valuations improve. United India Insurance Company and Oriental Insurance Company are headquartered in Chennai and Delhi, respectively. The four PSGICs collectively accounted for 48 per cent of the GDP of general and health insurers in FY2017.

Private sector general insurers (17) accounted for 41 per cent of the GDP of general and health insurers in FY2017. The balance was accounted for by specialised insurers and standalone health insurers.

| AIBEA THIS DAY – 3 FEBRUARY | |
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| 1959 | X Conference of AIBEA at Bangalore. Com. A C Kakkar and Prabhatkar elected President and General Secretary. Sri T Subramanya, Mysore Labour Minister inaugurates. |
| 1990 | 5th Bipartite B class Banks settlement signed. |
| 1997 | Massive demonstration at Calcutta by all Unions against wage freeze decision of UCO Bank board. |
| 2003 | Com Rajender Syal Former Treasurer , AIBEA passes away |