AIBEA's Banking News

5 APRIL 2018

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Banks Board Chairman Vinod Rai bats for reducing govt stake in public sector banks

March 28, 2018 moneycontrol

Banks Board Bureau (BBB) Chairman Vinod Rai on Tuesday said he believes the government should reduce its stake in public sector banks over a period of time.

In an interview to CNBC TV18, Rai opined that public sector banks need a mindset change and need to be more 'nimble-footed' than they are right now.

"The elephant must learn to dance," the BBB Chairman told CNBC TV18.

The interview came merely a week after Rai wrote to the Finance Minister on the issue.

While the Finance Minister ruled out privatisation or consolidation of government-owned banks for next one year, **Rai said consolidation of state-owned banks is a must a**nd that it will have to come about.

The government cannot own 24 banks, he said, adding it **will have to draw down its equity in PSU banks** over a period of time.

Rai, who is a former Comptroller and Auditor General (CAG), was given charge of professionalising PSBs, ensuring efficient delivery, and making the appointment process at PSBs more objective, when he was asked to head the BBB in February 2014.

On 2G verdict

With the notorious 2G scam verdict in December dismissing Rai's assessment while he was the CAG, Rai said the verdict has not changed him in anyway. He also does not think it has lessened the stature of institutions in any way.

Over three months ago, a special court acquitted all 19 accused, including former telecom minister A Raja and DMK leader Kanimozhi in the Enforcement Directorate's money laundering case relating to the 2G scam, that was unearthed by Rai while he was the CAG from 2008 to 2013. He has calculated the nation's loss due to the scam at a massive Rs 1.76 lakh crore in the assessment of the flawed 2G spectrum allocations.

Rai said he believed in doing what he was mandated to do and doing it well

India must privatise all public sector banks other than State Bank of India

4 4 2018 THE ECONOMIC TIMES By **Arvind Panagariya**

The banking sector, a major engine of growth, has been greatly underperforming in India. This is an inherited problem for the present government. Experts in finance had known for some years that the vast majority of the "restructured" loans would eventually turn into non-performing assets (NPAs). But the finance ministry and Reserve Bank of India (RBI) were slow to move towards a solution. Luckily, both of them have moved to take the NPA bull by the horns during the last year. Armed with the Banking Regulation (Amendment) Act, 2017 and subsequent authorisation by the government, RBI has issued definitive directions to banks for time-bound resolution of stressed assets including through the Insolvency and Bankruptcy Code (IBC), 2016. An impressive 40% of NPAs are now under the IBC process.

Three other important developments towards strengthening the banking system have taken place. First, the finance ministry has moved decisively to recapitalise the banks. This is already yielding happy results in terms of credit growth.

Second, through its 12 February 2018 directive, RBI has fully aligned the stressed asset resolution process to IBC, as in other countries with transparent bankruptcy laws such as the United States. The resulting steady state process is transparent, time bound and fair to both borrowers and lenders. Through the directive, RBI has also discontinued the pre-IBC alphabet soup of special resolution schemes such as CDR, SDR and S4A, which lenders and borrowers had used to delay rather than resolve stressed assets.

Finally, beginning yesterday, RBI has established a separate Enforcement Department. This has filled an important gap in the deterrence armoury of RBI, bringing focussed and time bound punitive action once a regulatory violation is identified.

These reforms represent major steps forward towards creating a healthy banking system. But they are not enough. In the longer run, full modernisation of the banking sector requires further structural reforms.

One such reform that must be high up on the agenda of the next government is privatisation of all public sector banks (PSBs) other than the State Bank of India.

I had concluded, in my 2008 book 'India: The Emerging Giant', that "any reform [of the banking sector] within the existing ownership structure would fall far short of what can be achieved by privatisation." Events of the past half dozen years have strengthened this conclusion. The case rests on three arguments.

First, scholarly research overwhelmingly shows that **private banks exhibit significantly higher productivity and growth than PSBs**. Though not an end in itself, faster growth of banking is desirable for two reasons. One, it speeds up the growth of the economy thereby bringing overall prosperity faster. And two, it translates into faster growth in credit and hence faster expansion of priority sector lending, an important social goal.

The **second argument in favor of privatisation concerns governance**. Over time, committee after committee has pointed to myriad governance problems afflicting PSBs. The latest among them is the 2014 PJ Nayak Committee, which notes that the boards of most PSBs are increasingly compromised and lack the requisite sense of purpose. It recommends radical reforms to empower the boards and make them responsible. But these reforms are not on the policy agenda of anybody.

Advocates of government control keep repeating the worn out assurance that all we need to do is to allow governance reforms a little more time. But with solutions known for decades and no substantive action taken, only the most gullible can fall for such assurances.

Finally, the common argument that **public ownership is required to pursue social goals is also greatly overstated**. Most of these goals can also be pursued through RBI regulation and directives to private sector banks. The latter have satisfactorily delivered on the major social objective of priority sector lending for decades, sometimes even exceeding their targets.

As regards the other major social goal, rural banking, with digital revolution a reality, physical bank branches in rural areas have become even less cost effective than in the past. Armed with payments bank license, it is institutions such as India Posts that now represent the wave of the future.

Even if certain social goals are better achieved through public ownership, they **do not require the ownership of two dozen banks**. For all practical purposes, one large PSB such as the State Bank of India should suffice. **Social benefits of PSBs must be weighed against the hefty social cost** they repeatedly impose on the taxpayer.

Contrary to popular belief, Prime Minister Indira Gandhi had resorted to the July 1969 nationalisation not as an instrument necessary to achieve social goals but as a weapon to sack her political rival, then finance minister Morarji Desai. Rural bank branch expansion policy had already seen a beginning in 1962. Priority sector lending had also been launched via the RBI credit policy of 1968-69.

Abandoning his conviction, Desai had gone on to embrace the policy of social control to safeguard his position as finance minister. But by nationalising the banks, Gandhi was able to convince people that Desai, who opposed the move, lacked the necessary socialist credentials to remain in his position

ASSOCHAM pitches for privatisation of Public Sector Banks

HYDERABAD: THE ECONOMIC TIMES PTI 27 3 2018

The 'crisis' in the Indian banking sector, particularly in the public sector space, should be used as an opportunity to privatise the banks, industry body ASSOCHAM said.

But it must be done in a manner that the exercise gets "wider acceptability," it said. "For starters, the government equity which is as high as 80 per cent in some PSBs, should be brought down to below 50 per cent."

"**The moment the government equity is below 50 per cent, the banks would be out of the clutches of the CVC, CBI and CAG, giving more autonomy and confidence to the top management to lend freely without fear of being haunted,**" ASSOCHAM secretary general D S Rawat told .

Besides, the boards would then be much more professional and the independent directors would be truly independent, according to him.

"Moreover, the boards would then be empowered to take strategic decisions without going to the Finance Ministry, although the RBI should and would continue to play the role of a regulator, but in a much more effective manner," he said.

However, Rawat said, privatisation of the banks should not be done in a harsh manner and be done in a way that is acceptable to the "political leadership." "No signal should go as if with privatisation, the priority sector lendings would be diluted.

The narrative must be built to the effect that the government can use both PSU and private sector banks as the agents of change, without hurting the interest of the lenders, he added.

Comments from AIBEA:

It is very strange that people Mr Vinod Rai have the knack of sailing with the wind while putting up a show that they are independent. Dilution of equity in PSBs or privatizing the Banks is the selfish demand of the Corporates and vested interests. Now, Mr Vinod Rai bats for them. He wants PSB elephants to dance. All are seeing how the private sector Banks are dancing now.

Mr Arvind Pannagaria talks of governance of PSBs. What about Governance of private sector companies. They are the worst culprits who are responsible for the Himalayan bad loans and frauds like Nirav Modi fraud. It has become a fashion for some people to talk of privatisation of Banks.

ASSOCHAM's demand is atleast understandable. They want privatisation so that Banks will be out of CVC, CBI, etc. and their skeletons will not come out.

What is the need of the hour:

Need of the hour is not privatisation but strengthening the PSBs. Need of the hour is to bring all private Banks including ICICI Bank and Axis Bank into public sector and public control. There is nothing private about private Banks. They also deal with public savings.

Gross Non-performing Assets (NPAs) of Public and Private Sector Banks, as on 31.12.2017

Amounts in crores of Rupees

Sr. No.		Gross NPA
1.	State Bank of India	1,99,155
2.	Bank of India	64,249
3.	Punjab National Bank	57,519
4.	IDBI Bank Limited	50,622
5.	Bank of Baroda	48,480
6.	ICICI Bank Ltd.	45,051
7.	Union Bank of India	40,988
8.	Canara Bank	40,312
9.	Indian Overseas Bank	33,267
10.	Central Bank of India	32,491
11.	Oriental Bank of Commerce	27,551
12.	UCO Bank	25,382
13.	Allahabad Bank	23,261
14.	Axis Bank Ltd.	22,662
15.	Corporation Bank	21,818
16.	Andhra Bank	21,599
17.	Syndicate Bank	21,103
18.	Bank of Maharashtra	18,128
19.	Dena Bank	14,169
20.	United Bank of India	13,721
21.	Indian Bank	9,595
22.	HDFC Bank Ltd.	8,176
23.	Punjab & Sind Bank	7,040
24.	Vijaya Bank	6,829
25.	Jammu & Kashmir Bank Ltd.	6,232
26.	Kotak Mahindra Bank Ltd.	3,715
27.	Yes Bank Ltd	2,974
28.	IDFC Bank Limited	2,777
29.	Karur Vysya Bank Ltd.	2,663
30.	Federal Bank Ltd.	2,161
31.	Karnataka Bank Ltd.	1,784
32.	South Indian Bank Ltd.	1,775
33.	IndusInd Bank Ltd.	1,499
34.	Lakshmi Vilas Bank Ltd.	1,427
35.	Tamilnad Mercantile Bank Ltd.	1,355
36.	City Union Bank Ltd.	860
37.	Catholic Syrian Bank Ltd.	746
38.	Ratnakar Bank Ltd.	580
39.	Dhanlaxmi Bank Limited	446
40.	Bandhan Bank Ltd.	386
41.	DCB Bank Ltd	354
42.	Nainital Bank Ltd.	172
43.		**8,85,074 cr**

Source: Reply in Parliament

ICICI Bank does not agree to an independent probe, here is what all has hapened till date

NEW DELHI: ECONOMIC TIMES 5 4 2018

India's largest private sector bank does not agree to an independent probe into allegations of nepotism against its chief executive. ICICI Bank refuted allegations that a loan was given to the Videocon group due to its business dealing with chief executive Chanda Kochhar's husband. Whistleblower Arvind Gupta has demanded a forensic audit but the bank has ruled out hiring external agencies to conduct an independent investigation into allegations of nepotism.

The latest is, as reported today in ET, the income-tax department has served a notice to Deepak Kochhar— founder director of NuPower Renewables and husband of ICICI Bank CEO and MD Chanda Kochhar— asking him to explain alleged investments received from two entities based in Mauritius and furnish details as to who all are directors in these two companies.

Kochhar had allegedly received huge funds, running into hundreds of crores, from overseas entities. The department is investigating the trail of finances and people behind these 'investments'.

The Videocon loan issue was first raised by whistleblower Gupta in 2016 when he wrote about it on a blog. Gupta claimed ICICI Bank granted a Rs 3,250 crore loan to Videocon Industries in 2012 mainly due to the business relations between Deepak Kochhar and the Videocon Group. The Videocon loan had later turned a non-performing asset.

Gupta alleged that a company owned by Videocon chairman Venugopal Dhoot loaned Rs 64 crore in March 2010 to NuPower Renewables that he and Deepak Kochhar had jointly promoted just two year ago (Read details here). A complex web of deals resulted in a trust controlled by Deepak Kochhar acquiring the lending company six months after the Videocon Group got the loan from ICICI Bank. The transfer of company shares to Kochhar’s trust was made at a paltry Rs 9 lakh.

A company that loaned an amount as big as Rs 64 crore, was acquired by the trust Deepak Kochchar controlled for as small an amount as Rs 9 lakh. This raised the whistleblower's eyebrow.

Dhoot also sold his 50 per cent stake in NuPower Renewables for just Rs 2.5 lakh to Deepak Kochhar. Gupta alleges that ICICI Bank awarding the loan to Videocon and the loan later becoming an NPA in 2017 were due to Dhoot's business relations with Deepak Kochhar whose wife, Chanda, was part of the committee that sanctioned the loan. Nearly 86 per cent of Videocon'S icici Bank loan remain unpaid.

A week ago, ICICI Bank chairman MK Sharma defended Chanda Kochhar. He said the the board did not see any conflict of interest since the Videocon group was not an investor in NuPower Renewables and, therefore, there was no need for Chanda Kochhar to recuse herself from the committee that sanctioned the loan.

He said the committee had many independent directors and was not chaired by her. He also said that the loan disbursed to Videocon Group was part of a consortium arrangement where terms and conditions had already been agreed upon by the lender group. Sharma said Chanda Kochhar had also made all the necessary disclosures.

But, a few days later, the Central Bureau of Investigation (CBI) registered a preliminary enquiry to probe alleged nexus between Kochhar's husband and Dhoot. Though the enquiry is not equivalent to registration of a case, the fact that the country's top investigation agency has taken notice of the allegations did make the bank's shareholders skeptical.

The case is still unravelling. In a new twist, PTI reported that ICICI Bank borrowers, including Jaiprakash Associates and Jaiprakash Power, had hired services allegedly of a firm, Avista Advisory Group, run by Chanda Kochhar's brother-in-law Rajiv Kochhar (brother of Deepak Kochhar)

Among the companies that are said to have hired services of Avista for restructuring of debt are Videocon, GTL Infrastructure and Suzlon. ICICI Bank was a lender to all these entities. The bank has denied that it had ever engaged Avista Advisory Group for any services. Earlier, the bank had said that the brother of a husband did not fall within the definition of a “relative” under the Companies Act and, therefore, there was no requirement for making any disclosure of such a relationship.

Yesterday, shares of ICICI Bank slumped 5.9 per cent, the most in two-and-a-half years. The stock has declined more than 20 per cent in the past two months. The market seems to have delivered a stern message to the bank. It didn't stop at that. ICICI Securities, a subsidiary of the bank and India's largest broking firm, made a weak debut on the bourses. The scrip got listed at Rs 435 on the NSE, a 16.35 per cent discount to the issue price of Rs 520. On the BSE, it listed at Rs 431.10, down 17.10 p

AIBEA THIS DAY – 5 APRIL	
1947	1st Annual Conference of UPBEU at Allahabad. Com. Balram Singh & Radha Mohan Tandon elected as President & General Secretary
1956	Com. V K Sharma, former Joint Secretary, AIBEA/ GS OF MPBEA (date of Birth)
1925	Com. P L Syal, Former Vice President, AIBEA date of birth

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