AIBEA's Banking News

4, 5, 6,7 AUGUST, 2020

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

TODAY'S NEWS

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Statewide bank strike in Tamil Nadu on August 20

LN Revathy Coimbatore | August 3, 2020

THE HINDU BusinessLine

Staff federation alleges hardships due to Covid-19, such as commute to work and rising risk of infection

The Tamil Nadu Bank Employees Federation (TNBEF) has called for a Statewide strike on August 20 to draw the attention of the government and bank managements to the problems faced by bank employees in the State.

Highlighting the decisions taken at the State Level Bankers' Committee's (SLBC) recent meeting, **TNBEF General Secretary E Arunachalam** said: "The SLBC guidelines stipulate that all bank branches should function as usual, extend full-fledged services and all the employees should report at their workplace.

"This is proving to be a Herculean task as a majority of employees, particularly those that depend on the public transport system to commute to their workplace (branch). With the extension of the lockdown till August 31, bus and local train services continue to remain off the road/track; bank managements have not taken any steps to arrange some mode of transportation to enable the employees to get to the branch. Nonetheless, banking has been classified as an essential service.

"In recent weeks, a number of employees working in the branches of various banks have been tested Covid-positive, and some have even lost their life. Hence there is a sense of fear, stress, concern and tension. Above all this, even pregnant women employees are not exempt from attending office.

"In the early weeks of lockdown (Lockdown 1.0) only restricted services were extended such as accepting cash deposits, withdrawal of cash, clearing of cheques and government transactions. But these restrictions have since been withdrawn and the managements are now insisting on extension of all normal and regular banking services.

"With extension of services, the business hours — restricted between 10 am and 2 pm — have also been extended by 2 hours up to 4 pm. This should be further tightened between 11 am and 2 pm, in the interest/well-being of the staff and the general public."

Call for restrictions

Echoing the federation's call for a Statewide strike, CH Venkatachalam, General Secretary, **All India Bank Employees Association (AIBEA),** demanded the restriction of banking services to essentials.

The association has demanded the continuation of a roster system with 50 per cent staff attendance until the transport system is restored. "The managements will need to ensure business continuity plan and restrict banking hours. Further, since banking is an essential service, and a number of employees have in recent weeks been tested Covid positive, priority should be given for bank employees for testing and hospitalisation. Five-day week norm should be brought in to facilitate sanitisation and fumigation of branches during weekends (Saturday and Sunday)," Venkatachalam said.

Document in Vijay Mallya case in SC missing, next hearing on August 20

NEW DELHI:IANS AUG 6 2020

In a new twist in the Vijay Mallya case, a certain document connected with the case in the Supreme Court has gone missing from the apex court files. A bench comprising Justices U U Lalit and Ashok Bhushan adjourned the hearing to August 20. It was hearing the review plea filed by Mallya against a July 14, 2017 judgment wherein he was found guilty of contempt for not paying Rs 9,000 crore dues to banks despite repeated directions, although he had transferred $40 million to his children. The bench was looking for a reply on an intervention application, which it seemed has gone missing from the case papers.

Parties involved in the case sought more time to file fresh copies. On June 19, the Supreme Court sought explanation from its registry regarding Mallya's appeal against the May 2017 conviction in the contempt case for not repaying Rs 9,000 crore dues to banks not listed in the last three years.

A bench comprising Justices Lalit and Bhushan had asked the Registry to furnish all the details including names of the officials who had dealt with the file concerning the review petition for last three years.

The bench said according to the record, placed before it, the review petition was not listed before the court for last three years. "Before we deal with the submissions raised in the review petition, we direct the registry to explain why the review petition was not listed before the concerned Court for last three years," said the bench.

In May 2017, the apex court held him guilty of contempt of court for transferring $40 million to his children, and ordered him to appear on July 10 to argue on the quantum of punishment. The bench said let the explanation be furnished within two weeks. "The review petition shall, thereafter, be considered on merits," it added.

In 2017, the apex court passed the order on a contempt petition against Mallya by a consortium of banks led by the SBI. The banks claimed Mallya transferred $40 million from Daigeo to his children's accounts, and did not use this money to clear his debt. Banks cited this as violation of judicial orders.

Banks may have to increase provisions on security receipts held against NPAs sold to ARCs

Radhika Merwin BL Research Bureau | August 05, 2020

Data from FY20 annual reports suggest that many banks carry provisions at about 20 to 30 per cent of the book value of SRs

With the pandemic crisis expected to increase delinquencies in the months ahead, many banks have set aside sizeable provisions to tide over the stress. But aside from providing for bad loans, banks may also have to set aside additional provisions for their investments in security receipts (SRs), held against bad loans sold to ARCs (asset reconstruction companies).

Data compiled from the FY20 annual reports of banks suggest that many banks currently carry provisions at about 20 per cent of the book value of SRs held by them. While this is in line with the existing regulatory requirements, according to bankers, many lenders may look to increase these provisionsto provide additional cushion amid the Covid-led crisis. This is because there are now growing concerns over the expected fall in the valuation of distressed assets.

According to SBI's annual report, the book value of SRs held by it stood at Rs.8,761 crore, against which the bank has made provisions to the tune of Rs.1,656 croreor about 19 per cent. Much of these pertain to the sale of bad loans made between 2014 and 2016. Of the total book value of SRs, about Rs.6,000 crore are SRs issued more than 5 years ago (but within 8 years) as disclosed in the annual report.

According to J Swaminathan, DMD-Finance, SBI: "Of this Rs.6,000 crore, about 90 per cent will mature between 2024 and 2026, hence, impact if any, of the current pandemic on this portfolio, may not be much. But as a prudent measure we are looking to make additional provisions (over and above regulatory requirement) on these SRs."

ADEQUATELY PROVIDED?

₹ crore (FY20)	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total
STATE BANK OF INDIA				
Book value of SRs backed by NPAs sold by the bank (A)	2,657.86	6,077.67	25.78	8,761.31
Provision held against (B)	300.47	1,329.99	25.78	1,656.24
Provision % (B/A)	11.3	21.9	100.0	18.9
BANK OF BARODA				
Book value of SRs backed by NPAs sold by the bank (A)	480.27	832.04	51.74	1,364.05
Provision held against (B)	45.76	625.15	51.74	722.65
Provision % (B/A)	9.5	75.1	100.0	53.0
CANARA BANK				
Book value of SRs backed by NPAs sold by the bank (A)	208.18	1,710.69	5.23	1,924.1
Provision held against (B)	181.96	768.23	5.23	955.42
Provision % (B/A)	87.4	44.9	100.0	49.7
UCO BANK				
Book value of SRs backed by NPAs sold by the bank (A)	627.19	842.11	17.56	1,486.86
Provision held against (B)	211.51	293.59	17.56	522.66
Provision % (B/A)	33.7	34.9	100.0	35.2
CENTRAL BANK OF INDIA				
Book value of SRs backed by NPAs sold by the bank (A)	529.03	2,078.27	82.21	2,689.51
Provision held against (B)	97.41	1,405.28	82.21	1,584.90
Provision % (B/A)	18.4	67.6	100.0	58.9
BANK OF MAHARASHTRA				
Book value of SRs backed by NPAs sold by the bank (A)	266.36	58.3	2.75	327.41
Provision held against (B)	59.24	5.31	2.75	67.3
Provision % (B/A)	22.2	9.1	100.0	20.6
BANK OF INDIA				
Book value of SRs backed by NPAs sold by the bank (A)	387.31	1,767.62	150.49	2,305.42
Provision held against (B)	357.26	1,085.55	150.49	1,593.3
Provision % (B/A)	92.2	61.4	100.0	69.1
INDIAN BANK				
Book value of SRs backed by NPAs sold by the bank (A)	2,106.98	228.57	1.17	2,336.72
Provision held against (B)	421.79	8.1	0	429.89
Provision % (B/A)	20.0	3.5	0.0	18.4
PUNJAB NATIONAL BANK				
Book value of SRs backed by NPAs sold by the bank (A)	1,404.82	53.77	50.51	1,509.1
Provision held against (B)	144.4	0	50.51	194.91
Provision % (B/A)	10.3	0.0	100.0	12.9
HDFC BANK				
Book value of SRs backed by NPAs sold by the bank (A)	432.36	0.19	0	432.55
Provision held against (B)*	0	0	0	0
Provision % (B/A)	0.0	0.0		0.0
*Contingent provision of ₹185.64 crore held towards investment in SRs				
ICICI BANK				
Book value of SRs backed by NPAs sold by the bank (A)	1,281.9	21.17	0	1,303.07
Provision held against (B)	248	0	0	248
Provision % (B/A)	19.3	0.0	0	19.0
AXIS BANK				
Book value of SRs backed by NPAs sold by the bank (A)	1,953.26	243.7	0.33	2,197.29
Provision held against (B)	183	241.5	0.33	424.83
Provision % (B/A)	9.4	99.1	100.0	19.3

Source: FY20 annual report

Typically, asset reconstruction companies (ARCs) buy banks' bad loans by paying a portion as cash upfront (15 per cent as mandated by the RBI), and issue security receipts (SRs) for the balance (85 per cent). At the time of recovery, banks get their share of the proceeds (85 per cent) after ARCs deduct their management fees.

Until then, banks record the SR portion as investments in their books and make provisions based on the SR's net asset value (NAV) arrived at by the ARCs. The NAV is, in turn, determined by the ratings assigned to the SRs by rating agencies, based on the underlying realisable value of the assets and the expected cash flows.

Recovery rate

The level of provisioning on SRs (***see table)*** varies across banks – from 19 to 69 per cent. For instance, Bank of India holds about Rs.1,593 crore of provisions against Rs.2,300 crore of SRs (book value), while PNB holds just Rs.144 crore provisions against SRs (book value) amounting to Rs.1,400 crore. Axis Bank and ICICI Bank hold about 19 per cent provisions against their SRs.

According to a spokesperson at Axis Bank, "the provisions held on SRs represent the provision for depreciation determined based on the difference between the book value of SRs and latest NAV of SRs that is provided by the ARC".

Weak track record of recovery rate (30 to 40 per cent) in the past, coupled with expectations of sharp downgrades by rating agencies owing to fall in the value of underlying assets amid the pandemic crisis, may require banks to beef up existing provisions on SRs.

Currently there are 28 ARCs with the total value (cumulative) of SRs issued amounting to over Rs.1-lakh crore.

RBI keeps key policy rates unchanged

Lalatendu Mishra
AUGUST 06, 2020
THE HINDU

It allows banks to restructure corporate, individual loans

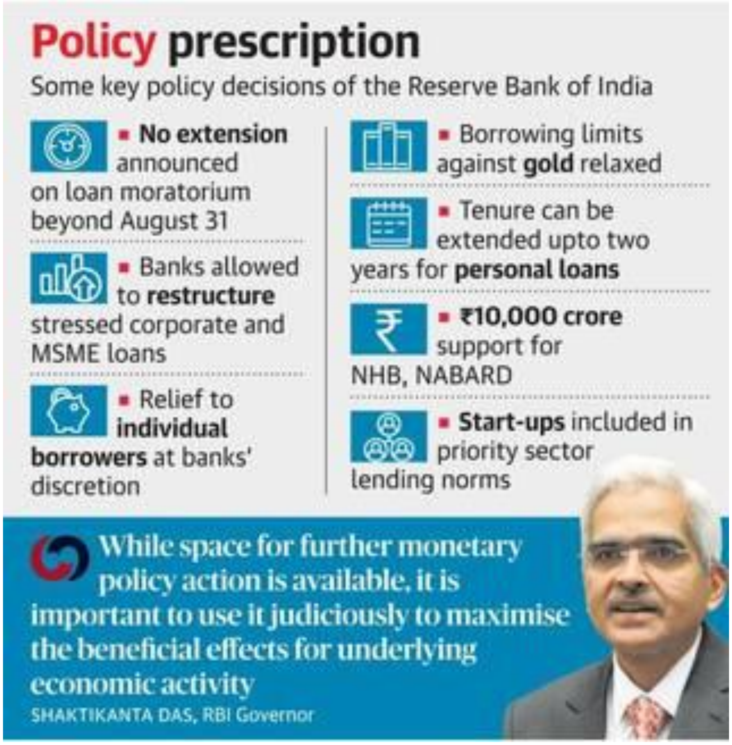
The Reserve Bank of India kept its powder dry in the third review of the monetary policy since the COVID-19 pandemic spread in the country, leaving key policy rates unchanged in the face of rising inflation pressures but asserted that propping up economic recovery has assumed "primacy" in the "worst peace-time health and economic crisis of the last 100 years".

The central bank didn't extend the moratorium on loan repayments offered to borrowers beyond August 31 but allowed banks to restructure loans from large corporates, micro, small and medium enterprises as well as individuals to help stem the rising stress on incomes and balance sheets.

These restructuring efforts may or may not include a moratorium on instalment repayments, the RBI said, leaving the decision to banks, with an eye on averting such loans from slipping into non-performing assets.

"A large number of firms that otherwise maintain a good track record under existing promoters face the challenge of their debt burden becoming disproportionate, relative to their cash flow generation abilities. This can potentially impact their long-term viability and pose significant financial stability risks if it becomes widespread," RBI Governor Shaktikanta Das said after a three-day meeting of the Monetary Policy Committee.

With incomes and jobs taking a hit across sectors, the RBI has allowed banks to restructure individual borrowers' loans by December 31, 2020, permitting a maximum extension of two years.



Limits for loans against gold were also enhanced.

India's GDP is set to contract in 2020-21, and inflation remains a bugbear, thanks to supply chain disruptions across sectors along with a sticky surge in food prices. Consumer confidence turned more pessimistic in July than previous surveys by the RBI, so demand is expected to remain anaemic, Mr. Das said.

"While space for further monetary policy action is available, it is important to use it judiciously to maximise the beneficial effects for underlying economic activity," he added.

CAG wants to look into recap of public sector banks by FinMin

Richa Mishra/Radhika Merwin New Delhi | August 04, 2020 BL

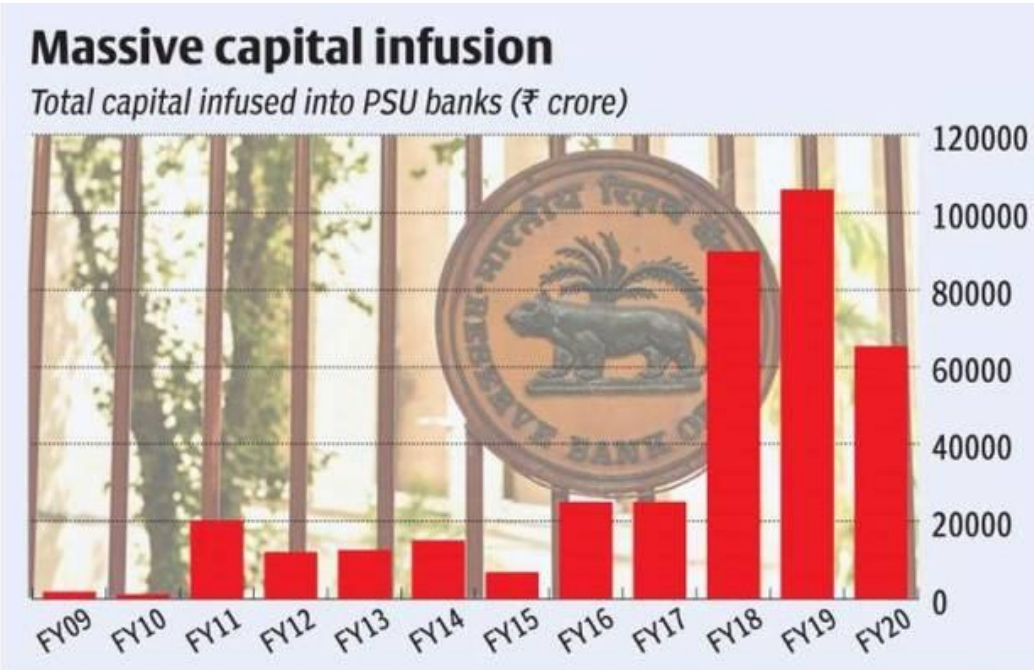
Govt auditor seeks to check if any jugglery has happened & if banks are using funds well

The Finance Ministry may find itself answering some tough questions on recapitalising of PSU banks if the Comptroller and Auditor General of India (CAG) has its way.

This is not the first time that the government auditor has wanted to look into the issue of recapitalisation of PSU banks. Internally, CAG has been raising this question on whether this financial aid from the government should be seen as a grant to PSU banks and not treated as it is today. But with banks coming under the purview of the Reserve Bank of India, the CAG was unsure of its ***locus standi***. Now, it realises it can do this scrutiny when auditing the accounts of the Finance Ministry.

The auditor would also like to know if the money given to these banks as part of recapitalisation has been utilised correctly. As the CAG works out its plans for 2020-21 audit proposals, incumbent CAG Rajiv Mehrishi, who has also served as Union Finance and Home Secretary before he became the nation's top auditor, holds the view that the CAG needs to expand its scope.

"The subject of audit needs to change with changing times. New topics and areas need to be explored. We have prepared a fresh list of audits for the current fiscal (2020-21)," he told ***BusinessLine.*** Though the topics for 2020-21 audits have been approved, it remains to be seen how many will take off, as Mehrishi demits office this week.



Source: Budget documents, Lok Sabha response (in February)

Pumping money via bonds

The government has infused Rs.2.6-lakh crore into PSU banks over the past three fiscal years. In a marked deviation from the past trend, when the government infused capital into PSU banks from its kitty (essentially taxpayers' money), since fiscal 2018, the Centre has been re-funding them via recapitalisation bonds owing to its weak finances. The money raised through issue of recap bonds (subscribed to by PSU banks) is pumped in as capital into PSBs (hence, not counted under the fiscal deficit calculation).

In effect, with a bit of financial jugglery, banks' liability (deposits) gets converted into capital. Three years since not only has the Centre's massive recap plan achieved little (by way of strengthening banks' balance sheets) but has also raised concerns about the government throwing good taxpayers' money into weak banks.

Besides, it has made it a herculean task for the government to divest its stake in PSBs. The massive capital infusion over the past three years has led to the government's stake in many of the PSBs at 90 per cent and over.

3 steps to help unlock Rs.1.3 lakh crore of welfare relief

Shilpa Kumar | August 04, 2020

THE HINDU BusinessLine

This amount, in Jan Dhan accounts, should be made easily accessible by improving last mile delivery of cash, reducing rejections, and putting in place a digital system where ongoing issues can be swiftly picked up and resolved

Covid highlighted two contradictory and critical facts about digital payments and cash for meeting the needs of India's vulnerable population. On the one hand, because we had a working digital payments backbone and had activated Jan Dhan accounts across the country, it meant that delivering Direct Benefit Transfers to BPL families' banking accounts was easy, swift and leakage free. On the other hand, it also put a spotlight on the fact that there were significant last mile challenges in ensuring that the money deposited could actually reach intended beneficiaries and the fact that they needed "cash in hand" to be able to meet their subsistence and emergency needs.

A survey of around 50,000 BPL households revealed that close to 72 per cent would have either lost their jobs or seen their wages decrease. Governmental assistance was critical and close to 85 per cent of such vulnerable households received one of four governmental cash welfare schemes.

This was a good validation of the Government's ability to respond to the distress faced by people using the Jan Dhan and Aadhaar architecture.

However, most of these recipients are unable to use digital money/debit cards and hence they need the money to be available to them in cash form. It is striking that less than 50 per cent of surveyed persons could actually withdraw money from their accounts.

Worries related to lockdown rules and potential infection stopped people from accessing cash.

There were other reasons that stymied cash access. One was the surge in traffic in biometric enabled cash withdrawal that resulted in an overload on bank servers and led to large number of failed transactions. The other was dormancy of inactive Jan Dhan accounts due to extant rules. The Government responded with a change in Prevention of Money Laundering norms so that inoperative accounts receiving such transfers could be considered active. Anecdotally, the pressure on servers also eased up post lockdown.

In spite of this, the percentage of households withdrawing cash remained less than 50 per cent. This seems like a conundrum. What is stopping access to cash at a time when it is needed most?

The value of balances in bank accounts opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY) has crossed the Rs.1 lakh crore mark, as per updated data on the scheme's website. A total of 39.39 crore beneficiaries held balances worth Rs.1,34,733 crore as on June 17, 2020. This puts the average account balance of a Jan Dhan account at Rs.3,454.

This raises a fundamental issue. Is about 50 per cent not being withdrawn on account of short-term issues like lockdown and health worries, or are there some significant structural issues that merit understanding and attention. Should the target be for Jan Dhan account balances to be as close to zero as possible?

Or, put in a different way, are there ways in which this welfare relief can reach targeted BPL families and enable spending by them on much needed essentials?

The amount in Jan Dhan balances is approximately 0.8 per cent of GDP and can unlock relief and consumption stimulus without further pressure on the government's fiscal health with three key actions:

Financial deepening

Time is money for a large part of the BPL population. A day spent in going to a bank or ATM is essentially a day's worth of labour foregone. It is important to have cash out point coverage across all areas.

An open source geo-spatial platform can help map existing points of presence for cash disbursement. It can particularly map areas of need and enable more informed build up of cash delivery points. This pictorial depiction can further highlight which of these points are active and functioning so that a trip to that location is not a wasted one.

The good news is that this basic infrastructure already exists and it is only a question of getting a collaborative of practitioners and infra providers together to make this work.

Transaction success

There are two significant requirements to improve access and reduce rejections in Jan Dhan accounts. First, biometric failure appears to be an important reason for rejections of transactions in cash withdrawals. Second is the fact that mobile numbers in this demographic change constantly. Data shows that 15 per cent of people have the wrong number linked to Aadhaar and 39 per cent have no number at all. Hence the ability to easily update mobile numbers and to resolve biometric issues could significantly improve the successful usage of these accounts.

Dalberg's State of Aadhaar Report 2019 had stressed Aadhaar updation as a key challenge and the fact that 25 per cent of those who tried to update details had failed to do so. As much as 33 per cent of those who succeeded had found it difficult. A quick win would be to make all updating processes online. For things that cannot be updated online (mobile, biometrics), it is critical to have more points for updation.

Grievance redress

A digital system can be easily architected to have a continuous feedback loop so that ongoing issues can be swiftly picked up and resolved. Given the existence of a central payments backbone and a highly advanced digital financial ecosystem, this can be achieved in quick time. It will ensure that fixing problems and identifying opportunities for improvement become an ongoing exercise.

These three interventions can have a significant outcome of unlocking Rs.1,34,733 crore of money to provide welfare relief, a 0.78 per cent of consumption stimulus at no extra cost to the exchequer and, most importantly, to strengthen the lives and help recovery of those who need it the most.

ECLGS: Loans sanctioned cross Rs.1.38 lakh crore

Our Bureau New Delhi | August 04, 2020

THE HINDU BusinessLine

In what could be music to the ears of policymakers, the disbursements under the Rs.3-lakh crore 100 per cent Emergency Credit Line Guarantee

Scheme (ECLGS) has begun to gather pace, improving to 67 per cent of the sanctioned levels as of August 3.

The overall disbursements were hitherto ranging at 50-55 per cent.

Private sector banks, which started late, are also inching closer to the Public Sector Banks' (PSBs) tally.

As on August 3, the aggregate loans sanctioned under the ECLGS stood at Rs.1,37,586.54 crore, of which disbursements stood at Rs.92,090.24 crore.

While PSBs aggregate loan sanctioned stood at Rs.72, 820 crore, the private sector banks' sanctioned loans level stood at Rs.64,766 crore. Disbursements of PSBs and private banks stood at Rs.52,014 crore and Rs.40,077 crore, respectively.

Compared to July 23, there is an increase of Rs.7,094.75 crore in overall loans sanctioned, while disbursements grew Rs.10,025.23 crore, data tweeted by the Finance Minister's Office showed.

The ECLGS was rolled out as part of the Rs.20-lakh crore Atmanirbhar Bharat Package.

Maharashtra continues to top the charts in terms of loans sanctioned at Rs.7,504 crore. It has also now dislodged Tamil Nadu to account for the largest disbursements at Rs.5,512 crore.

Covid: Footfalls at bank branches rising by the day

L N Revathy Coimbatore | August 04, 2020

THE HINDU BusinessLine

Why step into a bank branch when most of the services can be availed using a mobile app or internet banking service? Yet, people queue up at the branch during times such as the present for a service that is either possible at the click of a button or be deferred for now.

Opening of a savings bank account for instance, can now be done from the comfort of your home by downloading the form and seeking the support of the help desk, should a need arise. Though the numbers (account opening) have not been high, bankers have not ruled out such enquiries.

Similarly, staffs at select branches say that the number of walk-ins for pass book updation is not less than 50/day. "ATM kiosks are equipped to update passbook; account balance can be ascertained or better still, the internet banking service does it all, without the customer having to venture out of his/ her home."

"It is possible to transfer funds, renew fixed deposit, update KYC (Know your Customer) details electronically," a banker said, enumerating the services that can be done using a smart phone or say a laptop. And it is not as if all branches see a huge influx of customers every day. Select branches of nationalised banks and scheduled commercial banks, particularly those in strategic locations have customers walking in continuously.

The scene at branch of Repco (Repatriates Cooperative Finance and Development Bank Ltd) bank in Coimbatore was different. A majority were senior citizens, waiting impatiently to renew their FD, submit Form 15 G/H or draw cash. A staff conceded that internet banking service was yet to be introduced, but that they have been accepting request for renewal of FDs over phone.

Banks meanwhile have started sending messages to customers requesting for submission of Form 15 G/H to avoid deduction of tax at source on interest.

Covid or not, there is some excuse to go out it seems!