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Dear Comrades,

4th August , 2017

News of Interest 4th AUG

MOTIVATIONAL QUOTES

"I BELIEVE IF YOU KEEP YOUR FAITH, YOU KEEP YOUR TRUST, YOU KEEP THE RIGHT ATTITUDE, IF YOU'RE GRATEFUL, YOU'LL SEE GOD OPEN UP NEW DOORS. "
JOEL OSTEEN

HIGHLIGHTS

1. JAITLEY DEFENDS SBI DECISION TO CUT INTEREST RATE OF SAVINGS ACCOUNT
2. BAD LOANS: RBI TO TAKE UP MORE CASES, SAYS JAITLEY
3. KOTAK MAHINDRA BANK CUTS SAVINGS RATE FOR DEPOSITS BETWEEN RS 1 CRORE AND RS 5 CRORE
4. SBI-LED BANKS ORDER FORENSIC AUDIT OF VIDEOCON'S ACCOUNTS AS A PRECURSOR TO DEBT RECAST
5. 'BANKS MAY NEED 20% INCREMENTAL PROVISIONING FOR 50 LARGE NPAS'

Business standard

1. Jaitley defends SBI decision to cut interest rate of savings account

High interest rate on savings and fix deposits was during a time when inflation was 10-11%

[Press Trust of India](#)

Finance Minister Arun Jaitley today defended the State Bank of India's decision to cut interest rate on saving accounts of less than Rs 1 crore, saying the move was in sync with reduction in lending rate.

Responding to a Zero Hour mention of the SBI's decision to cut interest rate on saving accounts with less than Rs 1 crore deposit to 3.5 per cent from 4 per cent, he said to protect the interests of senior citizens, the government has already floated a deposit scheme that guarantees 8-plus per cent interest rate.

High interest rate on savings and fix deposits was during a time when inflation was 10-11 per cent and sluggishness was setting in the economy. So when the lending rate came down, so did savings account, Jaitley said.

He said for senior citizens and retired persons, the government has bought a pension scheme that guarantees 8 per cent interest rate.

Prime Minister Narendra Modi had announced the Pradhan Mantri Vyaya Vandana Yojana (PMVYY) in December last year which was launched in May.

"The effective rate comes to 8.3 per cent," he said, adding that the scheme is managed by LIC.

To opposition demand for a discussion on sluggish in economy and job losses, he said all issues the opposition want can be discussed and debated if they allow the House to function from 11 AM to 6 PM every day.

Earlier, Derek O'Brien (TMC) raised the issue through a Zero Hour mention saying the SBI reasoned the decision to Rs 1.5 lakh crore moving into the banking system after demonetisation of old 500 and 1000 rupee notes. There was no pick up in borrowing and economic activity was low, he said.

Stating that 90 per cent of saving bank deposits are of less than Rs 1 crore, he said the move to cut interest rate has affected the small depositors, senior citizens and pensioners the most.

Fixed deposit rate three years ago was 9-10 per cent, which has now fallen below 6 per cent, he said.

With low interest rate, the alternate chit funds will open up, he said. "This decision will increase infiltration of chit funds."

Raising the Pearl Chit Fund case, he said who were the people in the government in Delhi and Punjab supporting the chit fund.

O'Brien said 1.5 million jobs have been lost after demonetisation and even NITI Aayog vice chairman Arvind Panagriya has resigned and returning to the US.

The government, he charged, is not able to recover Rs 7 lakh crore NPA with big corporate and is hurting common people with such decisions.

Jaitley said the NPA issue can be discussed when a banking amendment bill comes up for debate in the House.

Naresh Agrawal (SP) said not just the saving bank interest rate, but that of small saving schemes, PF, Kisan Vikas Patra, senior citizen deposits and PPF have also been reduced.

Chandrapal Singh Yadav (SP) raised the issue of villagers not getting compensation for agriculture land and their residential plots being taken away by army cantonment.

Kahkashan Parween (JD-U) raised the issue of accumulating silt in Ganga River causing flash floods in Bihar.

The silt is blocking flow of water and the river is changing course, she said, adding that the Bhagalpur Engineering College may well be under water soon due to this.

2. Bad loans: RBI to take up more cases, says Jaitley

Jaitley said RBI already had identified top 12 loan defaulters

Press Trust of India

The process of resolution of bad loans will start shortly, Finance Minister Arun Jaitley said on Thursday in the Lok Sabha as it passed a bill which gives RBI the power to direct banking companies to resolve the problem of stressed assets.

Replying to a debate on the Banking Regulation (Amendment) Bill, 2017, Jaitley said the Reserve Bank has already identified top 12 loan defaulters and more cases will be taken up by them for resolution. "No one can claim the right of equality in not paying banks back. RBI has taken up some difficult cases... I am sure they will take up more," Jaitley said.

The Banking Regulation (Amendment) Bill, 2017, seeks to amend the Banking Regulation Act, 1949 and replace the Banking Regulation (Amendment) Ordinance, 2017, which was promulgated in May this year. The bill was later passed by the Lok Sabha by a voice vote.

Winding up the debate on the bill, Jaitley said some laws were outdated and were acting as "impediment" instead of "expediting resolution".

"We will shortly see the process of resolution coming... Any form of resolution is possible... We need to save the companies, the jobs and we need liquid companies to pay the banks," the finance minister said.

Moving on fast-track, the RBI had in June identified 12 large loan defaulters who account for 25 per cent of the total bad loans in the banking sector.

Action under the Insolvency and Bankruptcy Code has already begun in certain cases, including Essar Steel, Bhushan Steel and Bhushan Power & Steel.

Jaitley said the loans were given during the boom period before the 2008 global financial crises and the present government is trying to find a solution of the non-performing loans.

Replying to opposition charge that bad loans are higher in public sector banks, Jaitley said PSU banks are leaders when it comes to lending for economic development and to industry. Private sector banks have safer portfolio and are more into retail banking, he said.

"There is a risk in industrial financing and PSU banks do it," he said.

With stressed assets reaching "unacceptably high level", the government had brought the Bill replacing the Ordinance.

The measure allows the RBI to initiate insolvency resolution process on specific stressed assets.

The RBI would also be empowered to issue other directions for resolution, appoint or approve for appointment, authorities or committees to advise the banking companies for stressed asset resolution.

3. Kotak Mahindra Bank cuts savings rate for deposits between Rs 1 crore and Rs 5 crore

The lender has left the rate on deposits above Rs 1 lakh and up to Rs 1 crore unchanged at 6%

By: FE Bureau

Kotak Mahindra Bank on Thursday cut the rate of interest on savings account deposits above Rs 1 crore and up to Rs 5 crore to 5.5% from 6%. However, it left the rate on deposits above Rs 1 lakh and up to Rs 1 crore unchanged at 6%. The interest rates on deposits below Rs 1 lakh and above Rs 5 crore were also left unchanged at 5% and 5.5%, respectively, the private sector bank said in a statement. "Effectively, 99.9% of our savings account customers continue to enjoy the same savings interest rate as before," said Shanti Ekambaram, president – consumer banking, Kotak Mahindra Bank. "Our focus continues to be on building a quality retail franchise. Hence, we are holding our savings interest rate in the retail segment," Ekambaram said. In the previous quarter, Kotak Mahindra Bank's low-cost current account and savings account deposits increased to 43.9% of total deposits, from 37.4% in the year-ago period.

The bank's total deposit stood at Rs 1.6 lakh crore. Earlier this week, State Bank of India cut its interest rate on savings account deposits of less than Rs 1 crore to a six-year low of 3.5% from 4% and said large outflows in deposits that had come in due to demonetisation made it difficult for the bank to maintain its MCLR at the current levels. The surprise move by SBI broadens the opportunity for other lenders to garner a larger share of the savings account deposits. Another private-sector lender, YES Bank, also offers 6% interest on savings accounts.

Some of the payments banks and the small finance banks offer a higher rate of interest. Au Small Finance Bank offers up to 6.50% on savings deposits, while Airtel Payments Bank offers 7.25%. After the RBI reduced its key repo rate by 25 basis points to 6% on Wednesday, state-run lenders, including Bank of India and Union Bank, said they were considering a cut in their lending and deposit rates.

Economic Times

4. SBI-led banks order forensic audit of Videocon's accounts as a precursor to debt recast

By *Sangita Mehta*, ET Bureau

A SBI-led consortium of lenders has ordered a forensic audit of Videocon Industries accounts to find out whether the company foundered because of adverse business conditions or financial mismanagement, said two people with knowledge of the matter.

The move is preliminary to the start of debt restructuring after Videocon defaulted on loans worth Rs 43,000 crore, they said. KPMG, one of the Big Four audit firms, will conduct a thorough inspection of the group, which has interests that range from television manufacturing to oil exploration in Africa. Loan recast proceedings under the Insolvency and Bankruptcy Code (IBC) could be kicked off once KPMG finishes its report.

"Lenders and promoters are now looking at restructuring of the loans and before they go ahead with it, it has been decided to conduct a forensic audit," said one of the two people cited above.

Indian banks have become increasingly wary of taking decisions based on the discretion of management after the arrest of five IDBI officials, including its former chairman and managing director, in the Kingfisher Airlines loan default case.

If the audit finds that an adverse business environment was responsible, bankers can go ahead with restructuring loans or file charges if the report is adverse. Videocon Industries chairman Venugopal Dhoot said the company will meet its obligations but wanted more time.

"The account has turned into non-performing loans since we were not able to service the principal part," said Dhoot. "We continue to service interest. We do not want deep restructuring of loans. We are not asking for a haircut. All we want is a longer time to repay the loan."

While many small lenders such as Dena Bank have classified the loans as bad and began making provisions for them in the March quarter, bigger ones are in the process of doing so in the June quarter. Punjab National Bank and Central Bank of India have classified Videocon Industries loans as bad, and State Bank of India may do so when it announces results on August 11.

A forensic report will also give lenders a clear idea of the liquidity position of the company, whether there has been any diversion of funds, misappropriation of assets, and non-compliance with regulatory norms, said bankers.

Lenders have been seeking to persuade the Dhoot family, Videocon's promoters, to invest equity in the company by March 2017 or sell non-core assets. Following this, the company has put its real estate assets up for sale and has urged banks to buy some of them so loans can be repaid. Videocon House in Mumbai was recently sold for Rs 300 crore.

Business Line

5. 'Banks may need 20% incremental provisioning for 50 large NPAs'

PTI

Banks may need to do an incremental provisioning of 20 per cent for 50 large stressed accounts to absorb any losses, says a report.

These 50 large accounts are from sectors such as construction, power and metals, among others, and constitute about half of the gross non-performing assets of the banking sector.

"Banks may require an incremental provisioning of 20 per cent against cumulative debt of 50 large stressed assets worth over Rs. 4.3 lakh crore," says a joint report by Assocham and rating agency Crisil.

While banks may have already provisioned for a part of these exposures, they need to adequately capitalise to absorb such losses, which could fuel credit growth and support the next leg of economic growth, it said.

On the Insolvency and Bankruptcy Code (IBC), the report said there is a need to address various challenges such as inter-credit conflicts, ability of large corporates to delay the recovery process and burden on the National Company Law Tribunal (NCLT)/ Debt Recovery Tribunal (DRT).

Roll-out of the ecosystem, including adequate number of tribunals, insolvency professionals and information utilities, a limited timeline for the formulation of

resolutions and access to the secondary market are needed in case of liquidation for successful implementation of the IBC, it said.

"The success of the code hinges on strengthening its ecosystem, which will help in protecting the interest of stakeholders, instilling financial discipline among borrowers and creating a robust platform to attract investors," the report noted.

It said though the IBC is expected to face teething troubles before fully taking off, its stakeholders are expected to reap greater benefit in the long run.

Along with banks and asset reconstruction companies (ARCs), the IBC will benefit corporate, professionals and employees, boost investor confidence, and facilitate deepening of the domestic corporate bond market, it added.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY