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Dear Comrades,

12th June , 2017

News of Interest 12th JUNE

MOTIVATIONAL QUOTES

“THERE ARE NO SECRETS TO SUCCESS. IT IS THE RESULT OF PREPARATION, HARD WORK, AND LEARNING FROM FAILURE. “ COLIN POWELL

HIGHLIGHTS

- 1. ARUN JAITLEY TO REVIEW PERFORMANCE OF PSU BANKS**
- 2. GOVT MAY APPROVE ONE MORE PSU BANK CONSOLIDATION BY MARCH 2018**
- 3. SBI QIP: STATE BANK OF INDIA NOT TO REQUIRE GOVERNMENT CAPITAL INFUSION FOR YEAR**
- 4. GOVERNMENT, BANKS BOARD BUREAU SET TO START HUNT FOR NEXT STATE BANK OF INDIA CHAIRMAN**
- 5. LIC SETS RECORD BY SETTLING 99.92% CASES**

Business Standard

1. Arun Jaitley to review performance of PSU banks

He will also review the performance of the lenders

Press Trust of India

Finance Minister Arun Jaitley will meet heads of public sector banks and financial institutions on June 12 to discuss issues related to rising bad loans, interest rate reduction and credit flow to various sectors.

He will also review the performance of the lenders.

The meeting assumes significance as it will be the first after promulgation of the ordinance amending the Banking Regulation Act, 1949, last month.

The government had through this ordinance empowered the Reserve Bank to ask banks to initiate insolvency proceedings to recover bad loans and promised more measures to resolve the NPA crisis.

"Major issues on the agenda of the meeting, the first during this fiscal, include issues and solutions relating to Non-Performing Assets (NPAs) of the Public Sector Banks (PSBs), status of MSE Credit, Stand-up India and Mudra Yojana among others," the finance ministry said in a statement today.

Other issues on agenda include discussion on financial inclusion and literacy, review of performance of Social Security Schemes including Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) etc, it said.

The day-long meeting will also cover areas like cyber security, digitalisation of the banking transactions, rural development, agriculture credit and education loans.

Role and preparedness of banks in the implementation of Goods and Services Tax (GST) is also likely to be discussed in the one day Meeting of PSBs, it said. GST is going to be rolled-out from July 1.

As for the recovery of bad loans, the RBI has also made substantial changes in the related norms and warned banks of monetary penalty for missing NPA resolution timelines.

Jaitley had said the ordinance empowered the Reserve Bank to issue "directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default under the provisions of the Insolvency and Bankruptcy Code (IBC), 2016".

Toxic loans of PSBs rose by over Rs 1 lakh crore to Rs 6.06 lakh crore during April-December 2016-17.

Gross NPAs of PSBs nearly doubled to Rs 5.02 lakh crore at the end of March 2016, from Rs 2.67 lakh crore at the end of March 2015.

2. Govt may approve one more PSU bank consolidation by March 2018

Enthused by success of SBI merger, finance ministry is considering clearing another such proposal

Press Trust of India

Enthused by the success of SBI merger, the Finance Ministry is considering clearing another such proposal in the public sector banking space by this fiscal end with a goal to create 4-5 global sized lenders.

Five associate banks and Bharatiya Mahila Bank (BMB) became part of SBI on April 1, 2017, catapulting the country's largest lender to among the top 50 banks in the world.

Now, the Finance Ministry is looking to replicate the model in the case of other state-run banks so that they reach critical mass to compete with global peers.

"Consolidation is a must...But decision in this regard would be based on commercially prudent parameters. If the NPA situation gets better, there could be one more merger towards the end of this fiscal," a senior official told *PTI*.

Toxic loans of public sector banks rose by over Rs 1 lakh crore to Rs 6.06 lakh crore during April-December of 2016-17, the bulk of which came from power, steel, road infrastructure and textile sectors.

Finance Minister Arun Jaitley has on several occasions said India needs 5-6 banks of global size and scale and further consolidation in the banking sector will be done at the appropriate time.

Whenever consolidation happens, it takes into consideration interest of all stakeholders including employees and shareholders, the official said, adding it has to be a win-win for all parties.

A balancing act has to be done before any merger is given clearance by various authorities and regulators, the official added.

The future merger proposals in the banking sector will also require clearance from the Competition Commission of India (CCI) to see if the merged entity is going to create a monopoly.

In the last consolidation drive that saw the light of day in April, CCI nod was needed only in the case of the merger of the BMB with SBI. There was no such requirement for the merger of associate banks with SBI as they were part of the parent.

The Finance Ministry has sought the help of the government think-tank NITI Aayog and global consultancy firms to examine the possibility of next round of consolidation of PSU banks with an aim to create a few lenders of global size and scale.

NITI Aayog's report is expected to set the tone of the roadmap for consolidation in the future.

There are factors like regional balance, geographical reach, financial burden and smooth human resource transition that have to be looked into while taking a merger decision, the official said.

The official added that there should not be the merger of a very weak bank with a strong bank "as it could pull the latter down".

"There are some low-hanging fruits. Big lenders like Bank of Baroda can take over some turnaround banks in the southern region such as Indian Overseas Bank. Dena Bank could be merged with some large South Indian Bank," the official explained.

Five associates and BMB became part of SBI on April 1, 2017, catapulting the country's largest lender to among the top 50 banks in the world.

State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT), besides BMB, were merged with SBI.

With the merger, the total customer base of the SBI reached around 37 crore with a branch network of around 24,000 and nearly 59,000 ATMs across the country. The merged entity began operation with the deposit base of more than Rs 26 lakh crore and advances of Rs 18.50 lakh crore.

The government in February had approved the merger of these five associate banks with SBI. Later in March, the cabinet approved the merger of BMB as well. SBI first merged State Bank of Saurashtra with itself in 2008. Two years later, State Bank of Indore was merged with it.

Financial Express

3. SBI QIP: State Bank of India not to require government capital infusion for year

Following India's largest qualified institutional placement, capital adequacy ratio up 79 bps to 13.64%

By: FE Bureau

State Bank of India (SBI) would not require government capital infusion for at least another year following India's largest ever qualified institutional placement (QIP) of Rs 15,000 crore, chairman Arundhati Bhattacharya said on Friday. In FY16 and FY17, the government had infused Rs 5,393 crore and Rs 5,681 crore, respectively, into the bank. "We will not require government funds. At this point, we have not asked for capital and as per the plan we have put in place, we are quite comfortable on the capital front," Bhattacharya said, adding that even excluding the QIP, the bank could have met all the requirements up to 2019 as per Basel III. Following the QIP, the capital adequacy ratio (for SBI consolidated) has increased by 79 basis points (bps) and is at 13.64%. The QIP book, she said, was oversubscribed and demand exceeded Rs 27,000 crore. According to her, 26% of the issue has been taken up by long-only foreign institutional investors (FIIs), 25% by domestic institutional investors (DIIs) excluding one large DII, and 11% by high-quality FII hedge funds. Around 38% of the mop-up was from Life Insurance Corporation (LIC).

The government will now own 57.07% of SBI consolidated. The shares were issued at Rs 287.25. "We did not give LIC the full sum they asked for but 77% of their request. LIC's stake in the bank post this investment would be 10.4%, up from 8.6%," she explained. She added that in FY19, the bank has estimated a credit growth of 14% and 10-12% in FY18. Meanwhile, the government has been prodding state-owned banks to not entirely depend on its capital infusion and instead raise money from the equity market and even through sale of non-core assets. In FY18, the bank has not fixed a target for sale of non-core assets. Last year, it had a target of raising Rs 3,000 crore through sale of non-core assets and managed to raise Rs 2,662 crore. "This year we will only look at SBI Life IPO. For NSE, we will look at exiting some stake, not entirely," she said.

On reports that the bank has curtailed line of credit to some stressed telcos, managing director B Shriram said, "As regard to withdrawal of these unused line of credit to the telecom sector, we have not withdrawn any unutilised limit." He added that as a matter of general practice, the bank reviews all accounts irrespective of which sector they belong to, including telecom. Bhattacharya explained that SBI has a cancel ability clause for unutilised limits so that it does not unnecessarily block capital. Its telecom exposure is around 1.4% of its total fund-based book or Rs 18,000 crore and at any given time, about 70-75% is utilised. She added that the bank is yet to decide on a board policy for reviewing credit limits. "Once the board policy is in place we can give you a better idea. But more or less we continually look at all the sectors and continually rate all the sectors as to which sectors are good," she said.

Economic Times

4. Government, Banks Board Bureau set to start hunt for next State Bank of India chairman

BY DHEERAJ TIWARI | ET BUREAU

The government along with Banks Board Bureau will soon commence the selection process for the next chairman of the State Bank of the country's largest bank, as Arundhati Bhattacharya's term ends in October. A senior government official said the government intends to start the process early so that there is a smooth transition and the bank does not remain headless for a long period.

"We want to avoid a situation where for some reason the appointment gets delayed as seen in cases of some state-run lenders," he said, adding such delays occurred despite getting vigilance clearances in advance.

All four managing directors of the bank – Rajnish Kumar, B Shriram, PK Gupta and Dinesh Kumar Khara – are in the running to succeed Bhattacharya. Gupta and Khara have longer tenures left and so have a stronger case. Kumar and Shriram are set to retire in 2018.

"We already have vigilance clearance for three MDs and if the process begins Appointed in 2013 as the bank's first woman chairman, Bhattacharya got a one-year extension in October 2016 as SBI was in the process of merging its associate banks and Bharatiya Mahila Bank with itself.

Once that took place in April, SBI accounted for nearly a quarter of all outstanding bank loans in India. It took nearly seven years after State Bank of Indore was merged with the country's largest lender to complete this consolidation.

A senior BBB functionary said the government should look to offer a fixed tenure.

"It is for the government to take a call on these matters. The role of BBB is to select the best candidate available, keeping in mind the long-term interest of the bank," he said.

In 2015, while selecting private sector candidates for five large public sector banks (PSBs), the government had offered fixed three-year tenures subject to the superannuation age of 60 years. The same year management reforms in PSBs were initiated and the post of chairman and managing director-cum-CEO was split, except for SBI.

Business Line

5. LIC sets record by settling 99.92% cases

PTI

The Life Insurance Corporation (LIC) has pulled off a record claim performance by settling 99.92 per cent of death claims in 2016-17 as against industry average of 95 per cent.

The insurance behemoth is keen to push the boundary further, looking to settle 99 per cent claims on a monthly basis too in future. "LIC has settled 99.92 per cent of death claims in 2016-17, which is undoubtedly one of the best performances not only in the country, but in the world," an LIC source told *PTI* here.

According to industry body Life Insurance Council, there are a total of 24 players, including LIC, active in the life insurance space and the industry average of death claim settlement stands at around 95 per cent. "One of the fundamental reasons for the strong brand of LIC is our service delivery and... our claim settlement operations in particular," the source said, adding that "we would expect that not only we continue to focus on this area, but further strengthen it by settling 99 per cent claims on month on month basis".

Till date, LIC has had nearly 11 lakh such cases outstanding and expects that each and every case needs to be followed up to its logical end.

According to the source, the customer relationship management (CRM) department of LIC has been asked to ensure claim particular sheet is prepared for every outstanding case and regular monitoring is done. LIC, the source said, is making further efforts in the CRM space, where the corporation would like to see visible and perceptible changes in the quality of response to customers, turnaround time in attending to customer complaints or queries, courteous attitude and business etiquette of officials dealing with customers.

According to the source, prompt handling of queries by the SMS-based helpline has brought down the number of complaints drastically and it would revive the helpdesk in each branch so that customer is attended to promptly. "Further, to provide instant service, we need to ensure our customers are empowered to use e-services. Their mobile numbers, e-mails and NEFT details are registered as early as possible to provide instant services," the source added.

As for information technology, LIC's immediate focus is to ensure comprehensive cyber security for data, software as well as hardware. This is all the more relevant in the wake of the Wannacry malware attack that hit computers across globe.

The corporation may go for a net addition of 69,000 agents, potentially taking its agency strength to 11, 31,181 at the end of March 2017.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY