



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

6th November , 2017

News of Interest 6th NOV

MOTIVATIONAL QUOTES

“AN INVESTMENT IN KNOWLEDGE PAYS THE BEST INTEREST. “
BENJAMIN FRANKLIN

HIGHLIGHTS

- 1. PSU BANKS MAY GET RS 70,000 CR VIA RECAP BONDS IN 4 MONTHS**
- 2. GOVERNMENT WILL NOT DEPOSIT OR TRANSACT WITH BANKS NOT GIVING LOANS, SAYS BIHAR DEPUTY CM SUSHIL KUMAR MODI**
- 3. DIVIDEND-PAYING BANKS MOST LIKELY TO RECEIVE RECAP FUNDS**
- 4. ‘OUR PLAN OF CUTTING NPAS IS WORKING WELL’**
- 5. DIGITAL TRANSACTIONS SHOOT UP POST DEMONETISATION**

Business standard

1. PSU banks may get Rs 70,000 cr via recap bonds in 4 months

NPAs of PSBs alone have increased from Rs 2.75 lakh cr in March 2015 to Rs 7.33 lakh cr as on June 2017

Press Trust of India

The finance ministry may infuse about Rs 70,000 crore through recapitalisation bonds in the non-performing asset (NPA)-hit public sector banks in the next four months, sources said.

Last month, Finance Minister Arun Jaitley had announced an unprecedented Rs 2.11 lakh crore two-year road map to strengthen public sector banks. The plan included recapitalisation bonds of Rs 1.35 lakh crore.

Currently, the government is in process of finalising the structure of bonds and decision could be made by the end of this month.

The finance minister had said there were multiple options before the government for recapitalisation bonds and they are being examined.

Once the structure is in the place, the government would front-load bond issuance. The preliminary assessment indicates it could be between Rs 70,000 crore and Rs 80,000 crore, sources privy to the development said.

However, nothing has been finalised yet, the official sources said, adding that the finance ministry would get better picture of requirements of various banks after the second quarter results are out.

NPAs of public sector banks alone have increased from Rs 2.75 lakh crore in March 2015 to Rs 7.33 lakh crore as on June 2017.

Besides recapitalisation bonds, the finance minister had announced that banks would get about Rs 18,000 crore under the Indradhanush plan over the next two years. Under Indradhanush road map announced in 2015, the government had announced to infuse Rs 70,000 crore in state-run banks over four years while they will have to raise a further Rs 1.1 lakh crore from the markets to meet their capital requirement in line with global risk norms, known as Basel-III.

In the last three-and-half years, the government has pumped in Rs 51,858 crore capital in the public sector banks.

Remaining Rs 18,142 crore would be pumped into banks over two years.

Financial Express

2. Government will not deposit or transact with banks not giving loans, says Bihar deputy CM Sushil Kumar Modi

Bihar Deputy Chief Minister Sushil Kumar Modi today said that the state government will not deposit its money in those banks which hesitate in giving loans to people

By: PTI |

Bihar Deputy Chief Minister Sushil Kumar Modi today said that the state government will not deposit its money in those banks which hesitate in giving loans to people. "In days to come, we will be reviewing as which banks have been hesitant in giving loans (to the beneficiaries). The government will neither deposit its money nor carry out any transaction with banks which have been hesitant in giving loans," the deputy chief minister, who also holds charge of the Finance and Commercial Taxes department, said. The state government would formulate "parameters" on which banks' would be "ranked" and be given "grading", he said while reviewing the performance of loan disbursement under annual credit plan (ACP) of 62nd quarterly state level bankers committee (SLBC) meeting here. By the end of December, the state government will fix the parameters in order to prepare the "ranking and grading" of the banks, he said adding that the government money would be deposited in banks which would be ranked high on the "parameters" fixed by the government. Rural Development Minister Shraavan Kumar, Chief Secretary Anjani Kumar Singh, Development Commissioner Shishir Kumar Sinha, senior officials of RBI, NABARD and other banks also attended at the meeting.

Earlier in 2012-13, the Bihar government had come out with similar set of norms for depositing government money in banks-public and private, he said adding that state government would come out with fresh parameters for depositing government money in view of changed scenario and several

other schemes. Stating that the state government has received a huge numbers of complaints regarding corruption in banks especially on lower levels, Sushil Modi asked the bank officials to act against such erring officials. "The scams like Srijan or toilet fund scam – in both cases government money was transferred to the NGOs – would not have occurred without connivance of banks officials," he said. Several complaints of financial irregularities have come to light that have taken place through bank accounts, Sushil Modi said adding that the government is committed to pruning the numbers of bank accounts held by various government departments and public sector undertakings. "We have sought report (from the concerned officials) as what are the total numbers of bank accounts held by different departments and PSUs in each district and what is the quantum of money deposited in those accounts," he said.

Asked that banks don't accept coins when people go to as deposit money, the deputy chief minister said banks have made it clear that a person can deposit coins in the banks but there is a cap that an individual can deposit coins of Rs 1,000 value in one go. Sushil Modi said that "we have asked banks to come out with an advertisement telling people that banks will accept coins as deposits of not more than Rs 1,000 value. I don't think that there is no any such blanket ban for not accepting coins as deposits." He said that banks have disbursed loans of Rs 46,816 crore in the first six months of the current fiscal which comes at 43 per cent of the target of the Annual Credit Plan (ACP).

Economic Times

3. Dividend-paying banks most likely to receive recap funds

By *Mayur Shetty*

The government is planning its recapitalisation programme of public sector banks (PSBs) in such a manner that funds will be allocated largely to those lenders that will pay large dividends.

The objective is to ensure that the capital infusion will be neutral on the fiscal deficit.

The recapitalisation is in the form of a book entry with banks buying bonds from the government and the latter pushing the money back into the lenders' balance sheet by subscribing to equity capital. Since the bonds will be balanced with the equity, the fiscal deficit will go up only to the extent of interest that the government will pay out on these bonds. By ensuring that there is dividend income, the government is trying to keep the entire capital infusion from widening the fiscal deficit.

According to the CEO of a PSB, the government has already sounded out some lenders that the ability to pay dividend will be a criteria in allocation of capital. Last week, the government announced a Rs 2.11-lakhcrore recapitalisation plan for PSBs over two years. Of this, Rs 1.35 lakh crore will be financed through recapitalisation bonds, Rs 18,100 crore through the Budget and Rs 58,000 crore through capital-raising by banks. Among the nationalised banks, some like Bank of Baroda and Canara Bank have declared dividend in 2017. Several others had last declared dividend in 2015.

After the recapitalisation announcement, SBIBSE 3.19 % chief economist Soumya Kanti Ghosh pointed out in a research report that its burden on the fisc would be very limited, going by the experience in the 1990s. "During

1986 till 2001, interest paid by the government to the nationalised banks on recap bonds works out to 0.07% of GDP per annum on average.

But, during the period, the banks have paid dividends to government amounting to 0.06% of GDP on average. So, the net impact was only 0.03% of GDP on fiscal deficit, almost nil. Also, coupon payments aid the profitability of banks in strict accounting sense," Ghosh said in the report. Some of the banks with good earnings find themselves stuck because of large bad loans.

Business Line

4. 'Our plan of cutting NPAs is working well'

G BALACHANDAR

PSU lender Indian Overseas Bank (IOB), which has been facing huge bad loans, managed to cut its losses and reduce slippages in the first quarter of this fiscal. R Subramaniakumar, Managing Director & Chief Executive Officer of IOB, highlights the bank's progress towards the turnaround. Edited excerpts from the interview:

How is the rebalancing of credit portfolio plan working?

Two structural issues have been addressed and fine-tuned continuously. First, knowledge gap at the field level at the time of delivery was filled. Second, the spread of advances in the mid and above segment at all non-traditional branches. The share of large corporate advances has been reduced to 45-46 per cent now from 56 per cent in March 2016 by reducing high risk-weighted assets to low risk-weighted assets. In this exercise, we have also improved the turnaround time and gained better pricing mechanisms to attract low risk-weighted assets that include AA to AAA-rated accounts and government-guaranteed accounts.

How have you achieved pricing edge to attract low risk-weighted assets?

A year ago, our rates were at 9.60 per cent when the MCLR regime began. It has come down to 8.40 per cent. This is partly funded by our increase in share of CASA (current account savings account), which has now increased to 30-35 per cent from 23-24 per cent three years ago and was 28 per cent last year. This has been achieved without reducing my total deposit levels. So, my cost of deposits (COD) dropped from about 7.37 per cent to 5.87 per cent. Thus, drop in COD helped us reduce MCLR to 8.40 per cent, which is giving us pricing power to lure low-risk assets.

What is the update on your bad loan position?

Our exposure was in 9 of the 12 large NPA accounts of the first tranche for resolution under reference to NCLT. These accounts constitute ₹7,000 crore (about 21 per cent) of our NPAs. In the second tranche of NPA accounts, our exposure was in 18 accounts and that constituted ₹3,000 crore – about 10 per cent of total NPAs. So, overall it is 31 per cent.

Earlier, there was no clarity on these. But with NCLT, there is some visibility. We don't know what will be the resolution. But assume that if it is resolved and ₹10,000 crore or 31 per cent goes out of NPA kitty – if that happens, it

will boost the bottom line and balance sheet, with a huge reduction in the amount of provisioning we have to make for NPAs.

In retail, our NPAs have dropped drastically from 6 per cent to less than 3 per cent. Sustained efforts on SARFAESI Act helped us cut the bad loan size.

On the other hand, we have been preventing further slippages. In the first quarter, our net accretion was only ₹355 crore of NPA. Now, the pace of recovery is higher than the pace of slippages. Our strategy of reducing slippage and increasing the recovery is working well.

What are you doing for credit growth?

A structural change has been effected in micro and small-scale lending segment. Now, every branch of IOB has to participate in two areas – micro and small loans. In a week, each branch should get two each of micro and small loans. This is the transition we have started.

We are now in the process of automating entire micro and small loan procedures.

In the recent quarter, we were able to touch 43 per cent as the priority sector lending. This indicates that the participation of branches has increased significantly compared to earlier. Some time ago, 78-80 per cent of branches may not participate in any loan on a daily basis. So, more number of branches now participates in one loan or the other, which is a big change as far as delivery of loan is concerned.

We also want to achieve quality credit growth. Hence, we have told the branches to fetch only four home loans and five vehicle loans a month. This reduces pressure on staff while giving them sufficient time for due diligence.

All these are yielding results and our retail disbursements are growing significantly. Our objective is to have a balanced credit portfolio with about 40 per cent of the large corporate and 60 per cent of other categories, which will be a good mix.

How will the proposed bank recapitalisation help IOB?

Recapitalisation is for two purposes. First, to meet regulatory prudential norms, and that is essential for any economy to sustain over a long-term. So, this move is a well-thought-out one. They want the system to sustain instead of showing weakness.

Second, recapitalisation will also help credit growth. Since banking sector provides 80 per cent of the credit to the industry, it has a bigger role to play.

When banks get capital, it helps to meet the prudential norms and provides some leg room for growth.

5. Digital transactions shoot up post demonetisation

PTI

Digital payment companies have seen a substantial jump in their business as a result of the government's measures towards promoting cashless transactions post demonetisation last year.

These firms are likely to further consolidate their business with more incentives for digital transactions.

"In the last 12 months, we saw over three times growth. Before demonetisation, we were processing monthly transactions of Rs 3,000 crore, which now stands at Rs 6,800 crore across all our verticals," Atom Technologies Managing Director and CEO Dewang Neralla said.

The major contributor to this growth was online payments business, he indicated.

"Our focus has been largely on the education, travel ticketing financial services, C2G payments and cable and wireless industries and we have seen all round growth both in terms of enrolments as well as transactions.

"Payment processing volumes have grown three times to what they were since demonetisation and we still continue to see a healthy growth of around 20 per cent on a month-on-month basis in transactions in our online payment gateway," he said.

The company is targeting to bring into the fold over 10 lakh merchants over the next few months, it said.

Globally, this is seen as an exciting time for fintech, especially payment processing.

According to the Payments Council of India, the growth rate of the digital payments industry, which was earlier in the range of 20-50 per cent, has accelerated post demonetisation to 40-70 per cent.

"However, demonetisation is just one of the milestones towards our country's cashless journey and not the final destination. It conveyed a strong psychological message to our countrymen that cash is not welcome and digitisation of cash is inevitable. This also resulted in doubling of the number of PoS machines in just one year..." Payments Council of India Chairman Navin Surya pointed out.

However, he said, for further accelerating this growth momentum and moving towards a less cash economy, both the government and regulators need to continue efforts.

"...seamless access to payments network and other critical payments infrastructure like UPI and RTGS, among others ...will make sure that incentives continue to grow for digital transactions. These critical steps can drive our current industry growth of 10 per cent transactions to 50 per cent in the next 5 years," he added.

According to Bhavik Vasa — Chief Growth Officer, EbixCash, post-demonetisation, the rhetoric has now changed from bank versus non-bank or wallet versus bank, with the industry witnessing an increased mind share for its digital and cashless journey.

"At Ebix ItzCash we now have more than 2 lakh retail touch points across the country, our ability to be an omni-channel player has helped us clock a growth of 35-40 per cent across sectors," Vasa said.

Most digital players in the industry have made multi-fold investments in the sector in the last one year in infra, brand, marketing, creating awareness.

Ebix Inc CEO Robin Raina has further committed \$200 million funds for investments and growth in India.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY