



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

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News of Interest 7th NOV

MOTIVATIONAL QUOTES

“BELIEVE IN YOURSELF! HAVE FAITH IN YOUR ABILITIES! WITHOUT A HUMBLE BUT REASONABLE CONFIDENCE IN YOUR OWN POWERS YOU CANNOT BE SUCCESSFUL OR HAPPY.” —NORMAN VINCENT PEALE

HIGHLIGHTS

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Business standard

1. Wilful defaulters won't be allowed to bid for stressed assets: SBI chief

It is a fine line for banks whether they can block any effort by wilful defaulter to bid for his own firm

Anup Roy

Banks will block efforts by wilful defaulters to bid for distressed assets in insolvency proceedings, State Bank of India (SBI) Chairman Rajnish Kumar (pictured) said on Monday. Kumar was speaking on the sidelines of a

conference on digital banking organised by Ficci and Indian Banks' Association.

However, it is a fine line for the banks whether they can block any effort by a wilful defaulter to bid for his own firm.

"There is no place for wilful defaulters or people who have diverted fund as proved in the forensic audit," Kumar said at the sidelines of the event, adding even as legally even as the promoters were within their rights to bid for their own firm assets, banks would put some preconditions such as the bidders "should not be wilful defaulters and second is the forensic audit which should clear them of any wrongdoing and third is about the quality of resolution plan which is submitted."

Ultimately, any bid that maximises the enterprise value and is acceptable for the creditors should be accepted. Kumar also cautioned that the recent infusion of capital should not be equated with banks' ability to take deep haircut. Besides, some sectors are picking up and banks would ideally want to wait out instead of agreeing on a rate cut.

"If we were to sell steel sector assets a year ago, then there was a question of deep haircuts on those assets. Steel is picking up now and banks won't agree on such haircuts," Kumar said, declining to quantify the haircut banks would be ready to take. Kumar also said the recent decision for capital infusion in government banks would save the banking sector and the recent stock market rally in banking stocks was a clear indication of that. ANUP ROY

2. Technology yet to catch up with human touch on banking

Use of technology in corporate loans is limited and bankers are getting trained on new skill sets to use them in corporate banking

Anup Roy

Banks are relying heavily on technology for retail expansion, but there is a long way to go before human touch and expertise can be replaced by machines, top bankers discussed at a CEO panel in an industry conference.

In corporate banking, not many functions can be directly relegated on technology alone, as each and every project has a different risk profile and there is no reliable database available that can be readily tapped to evaluate and come to a ready conclusion on risk premium. Lack of aggregators is huge problem in agriculture loans too.

"Unlike retail, people who come for corporate credit are not dealing with their own money. They are usually a CFO or other executives. It is challenging to deal with them, and you need to exercise your judgment," said Rajnish Kumar, chairman of State Bank of India (SBI), country's largest bank, at the FIBAC conference on Monday.

SBI is also trying to develop a tool that would allow the bank to gauge at what level of pricing a customer would be comfortable enough to do business with the bank, and not move to competition, Kumar said.

The biggest challenge in public sector banks right now, according to Kumar, is how to manage the spreads. Large companies are moving to bond market, even as deposit costs remain elevated, and this has put a squeeze on bank profitability.

"There is so much of structural rigidity that a solution has to be found quickly," Kumar said.

Good corporate borrowers moving to bond market is a fact that banks have to live with and technology should be used to find out a reliable risk premium of customers with A+ and below ratings, said Zarin Daruwala, CEO of Standard Chartered India.

"Banks would need to explore what kind of skill sets would be needed to tap these corporate customers. Because of the Sarfaesi and Insolvency Act, investors are confident about the protection of their investments and the market rates are also cheap both domestically and in external commercial borrowings market," said Daruwala.

Use of technology in corporate loans is still limited and bankers are getting trained on new skill sets to use them in corporate banking, Daruwala said.

According to Kumar, there was a whole universe of companies that banks can give loans to, but to get to know the risk premium adequately, a credit default swap (CDS) market should develop quickly.

Despite the Reserve Bank of India (RBI) allowing writing CDS, a form of insurance on bonds, the instrument is not in use because of complexities involved.

Bankers, however, agreed that technology has improved productivity and penetration of credit among masses.

Chanda Kochhar, managing director and CEO of ICICI Bank said her bank has seen increased productivity year on year, every year, after it introduced robotics in its back office. Cost has also come down significantly due to technological intervention, she said.

However, "the real issue is not what you can do with the data, but what you should not do with the data, that is stealing, mismanagement etc.," Kochhar said. The bank gives internal training to its people to deal with data responsibly.

Chandra Shekhar Ghosh, founder CMD of Bandhan Bank, technology can be used to improve upon human touch, but human intermediation would always be necessary. One easier way to improve efficiency could be by reducing the size of agreement to a single page for small ticket loans, which Bandhan is focused on.

"Bonding is important for smaller retail loans, something that technology can never replace," Ghosh said.

Vishwvir Ahuja, MD and CEO of RBL Bank said while human tie-ups are important, but the cost structure breaks down when it comes to scale. According to Ahuja, the bank has actually benefited from tying up with fintech companies and would continue to engage them to build up scale.

However, it is a completely different case for banks who cater to rural hinterlands, where the next bank branch could be a two hour commute.

"What we have found is the 'bank mitra' model, aided by technology, improves the financial inclusion manifold," said Jatinderbir Singh, CMD of Punjab & Sind Bank.

Financial Express

3. PSB recapitalisation: Narendra Modi government set to dictate terms to even the strongest lenders

The government is considering making fresh capital infusion into public-sector banks (PSBs) under the recently announced Rs 2.11-lakh crore plan conditional for both weak and relatively strong banks, a senior official told FE

By: Banikinkar Pattanayak

The government is considering making fresh capital infusion into public-sector banks (PSBs) under the recently announced Rs 2.11-lakh crore plan conditional for both weak and relatively strong banks, a senior official told FE. So, less than a dozen of the 21 PSBs will have to sign agreements with the government, spelling out road map on efficient management of bad loans and strict turnaround and austerity plans, if they want fresh capital, said the official. However, the 11 PSBs that already got into memoranda of understandings with the Centre earlier this year to receive capital won't have to do so again, as their existing agreements will continue, the official added. Although Rs 25,000 crore was allocated to around a dozen PSBs in 2016-17 under the Indradhanush scheme, the government hadn't imposed tough conditions for such an infusion. This fiscal, it asked 11 banks to sign the agreements for fresh capital but these were actually relatively small and weak banks. Once the Reserve Bank Of India (RBI) submits an assessment of capital requirements of various PSBs with the government, the rest of them may have to agree to similar and strict terms and conditions with the Centre if they want fresh round of infusion. Apart from management of non-performing assets (NPAs), these conditions include sale of non-core assets and closing of loss-making branches. Quarterly performance goals could be set and these will be monitored regularly. Austerity plans are mostly about tightening staff benefits, which include industry-standard wage hike and other perks and benefits such as leave travel concessions. However, if a bank marks a turnaround quickly, such benefits may be restored early as well. A tripartite MoU between the government, the relevant PSB and its staff has to be signed for the bank to receive capital. The lenders that already signed the agreements earlier this fiscal include Allahabad Bank, Andhra Bank, Bank of India, Bank of Maharashtra, Central Bank of India, Dena Bank, IDBI Bank, Indian Overseas Bank, UCO Bank, United Bank of India and Union Bank of India.

Already, chief economic adviser Arvind Subramanian has favoured selective and incentive-based capital infusion and suggested "recapitalising the unviable banks only to the extent necessary to finance their current balance sheet size while explicitly not providing for their growth". If only relatively strong banks get growth capital, it could ultimately result in "stealth consolidation" where weak, small lenders would be easy targets of acquisition or be forced to consider mergers with other PSBs to acquire scale.

Of the Rs 2.11-lakh crore recapitalisation plan approved by the government last week, Rs 1,35,000 crore will be mobilised through recapitalisation bonds and around Rs 58,000 crore through the dilution of government equity in various PSBs. The government will provide a budgetary support of Rs 18,139 crore under the existing Indradhanush plan (excluding the Rs 1,861 crore already provided this fiscal). The infusion will be front-loaded.

Massive capital infusion into PSBs was necessitated as their gross NPAs surged from 5.4% of gross advances in March 2015 to 13.7% by June 2017. This led to a jump in their provisioning requirements from Rs 3,79,080 crore between FY15 and Q1FY18, much higher than the Rs 1,96,937 crore made during the preceding 10 years.

Economic Times

4. HDFC Bank makes RTGS, NEFT online transactions free, cheques to cost more

PTI

Private lender HDFC Bank has made online transactions through RTGS and NEFT free of cost, with an aim to promote a digital economy.

On the other hand, various charges for cheque-related transactions as well as request for additional leaves will get costly from early next month for non-managed savings and salary accounts.

According to the revised fees and charges for savings and salary accounts, customers will not have to pay any charge for doing online transactions through Real Time Gross Settlement (RTGS) and the National Electronics Funds Transfer (NEFT) from November 1, 2017.

Earlier, customers were levied Rs 25 each for Rs 2-5 lakh online transaction via RTGS and Rs 50 each for such money transfers over Rs 5 lakh. Online NEFT transactions attracted a fee of Rs 2.5 for less than Rs 10,000, Rs 5 for Rs 10,001-1 lakh and Rs 15 for above Rs 1 lakh to Rs 2 lakh. For NEFT transactions of over Rs 2 lakh, there was a fee of Rs 25.

However, any NEFT or RTGS transaction carried out at the bank branch will be payable.

Business Line

5. Allahabad Bank plans ESPS offer

OUR BUREAU

In a bid to develop employees as an investor class, Kolkata-headquartered Allahabad plans to offer them an 'employee share purchase scheme' in the January-March 2018 quarter. The public sector bank intends to raise ₹350 crore via this route. Usha Ananth subramanian, MD & CEO, Allahabad Bank, said the lock-in period for shares issued under ESPS will be only one year. Shares under the scheme will be offered to all categories of employees. Post lock-in, the bank's employees can sell their shares if they feel they have run up.

6. A year on, bankers say note ban has been good for them

PTI

A couple of days ahead of the first anniversary of demonetisation, bankers said today that the move was good for them as it resulted in higher deposits and pushed digitisation at a faster pace.

On November 8 last year, the Modi government demonetised Rs. 500 and Rs. 1,000 notes as part of its drive against black money, counterfeit notes and corruption.

"For the banking sector, I would consider it positive as lots of money has come into the formal banking system. Casa (current account, savings account) deposits have gone up by minimum 250-300 basis points which itself is a big positive," SBI chairman Rajnish Kumar said.

Deposits, which came into the banking sector left banks with trillions of rupees in surplus funds, leading to an overall decline in money market rates.

ICICI Bank chief executive Chanda Kochhar said the note ban led to formalisation of financial savings and increased the flow of funds to mutual funds and insurance.

"Post-demonetisation, there was a faster shift towards digitisation. Going forward, the whole approach towards digitisation will continue," Kochhar said.

Although some analysts and a section of people in the government had initially claimed that the move would lead to a windfall gain of at least 20 per cent of the Rs. 15.87 trillion (Rs 15.87 lakh crore) of banknotes cancelled, the Reserve Bank in June said as much as 99.1 per cent of the junked bills had returned to the banking system.

This led to widespread criticism of the move and the opposition parties are organising protests on the first anniversary of the demonetisation drive as "black day".

Formalisation of financial savings will increase the ability of banks and other players to reach out to small customers, Kochhar said.

Kumar said that post-note ban and the roll out of the Goods and Services Tax (GST), some sectors have seen improvement but there are certain segments which need to see more action.

In last one year there has been a tremendous improvement as far as the steel sector is concerned, he said. PTI HV BEN RSY SA 11061844

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY