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Dear Comrades,

8th September , 2017

News of Interest 8th SEP

MOTIVATIONAL QUOTES

“LIFE CAN ONLY BE UNDERSTOOD BACKWARDS; BUT IT MUST BE LIVED FORWARDS. “

SOREN KIERKEGAARD

HIGHLIGHTS

1. PSBS HAVE NO CLEAR PLAN TO RESTORE THEIR HEALTH, SAYS RBI'S VIRAL ACHARYA
2. RBI'S VIRAL ACHARYA URGES GOVT TO INJECT MORE FUNDS INTO LENDERS
3. BANK OF INDIA CUTS MCLR BY 10 BPS
4. SBI TO GO ALL OUT TO CAPITALISE ON REVIVING HOME LOAN DEMAND
5. SATURDAY BANKING: TMB TOLD TO MAINTAIN STATUS QUO FOR NOW

Business Standard

1. PSBs have no clear plan to restore their health, says RBI's Viral Acharya

Deputy Governor says RBI has advised banks to resolve some accounts by December
Anup Roy

Reserve Bank of India (RBI) Deputy Governor Viral Acharya on Thursday said while there were several options on the table to recapitalise banks and address the resolution process, they were moving at a glacial pace and there was a lack of a “clear and concrete plan” to restore the health of public sector banks (RBI).

Indeed, “the lack of a clear and concrete plan for restoring public sector bank health,” remained an unfinished part of the RBI’s agenda, and also its “Achilles heel,” Acharya said.

It could be time to formulate a stronger plan, which Acharya termed “Sudarshan Chakra”, instead of the “Indradhanush” that the government is engaged in. Under Indradhanush, the government has committed to infuse more than Rs 70,000 crore in PSBs over four years, based on the performance of these banks. But, high bad debt on banks’ books have rendered the capital infusion plan inadequate. Already, the central bank requires high provisions for cases referred under the Insolvency and

Bankruptcy Code (IBC), but these provisions would rise sharply if companies go in for liquidation.

The RBI directed banks to file insolvency applications against 12 large accounts comprising about 25 per cent of the total non-performing assets (NPAs).

"The Reserve Bank has now advised banks to resolve some of the other accounts by December 2017; if banks fail to put in place a viable resolution plan within the timelines, these cases also will be referred for resolution under the IBC," Acharya said.

The need of the hour, he said, was to resolve the bad loans issue on banks' balance sheets, which was close to ~8 lakh crore at the end of June.

"Having embarked on the NPA (non-performing assets) resolution process, indeed having catalysed the likely haircuts on banks, can we delay the bank resolution process any further?" Acharya asked in his speech at the 8th R K Talwar Memorial Lecture in Mumbai.

Without offering any direct solution to the problem, Acharya, who once favoured creating public asset reconstruction companies, posed a few questions.

"Can we articulate a feasible plan to address the massive recapitalisation needs of banks and publicly announce this plan to provide clarity to investors and restore confidence in the markets about our banking system?" he said, asking why banks were not raising capital from the equity markets at a time when liquidity chasing stock markets was plentiful. "What are the bank chairmen waiting for, the elusive improvement in market-to-book which will happen only with a better capital structure and could get impaired by further growth shocks to the economy in the meantime?" Acharya asked.

Further, he seemed to suggest the government could divest its stakes in banks quite aggressively to its minimum ownership level. "Can the government divest its stakes in public sector banks right away, to 52 per cent? And, for banks whose losses are so large that divestment to 52 per cent won't suffice, how do we tackle the issue?"

As of June 2017, the government held 57.1 per cent in State Bank of India, the lowest that it holds in all PSBs. In United Bank of India, the government's share is as high as 85.2 per cent. The latter is under the RBI's watch and is going through prompt corrective action, which curtails a bank's normal activities.

Overall, in nine banks, government's ownership is less than 70 per cent of the shares outstanding. But, in 11 banks, including IDBI Bank (75.1 per cent), which the government is trying to privatise to a great extent, the government's stake is above 70 per cent. Many of these banks have heavy bad assets problems, but the government has been parsimonious in giving capital to these banks.

Acharya also perused the possibility of selling off healthy deposits to private parties, and suggested that smaller banks should be taken as a test case for this.

"These questions keep me awake at nights. I fear time is running out," Acharya said.

"The Indradhanush was a good plan, but to end the Indian story differently, we need soon a much more powerful plan — Sudarshan Chakra — aimed at swiftly, within months if not weeks, for restoring public sector bank health, in current ownership structure or otherwise," he said.

The primary cause of the recent slowdown in growth has been the stress on banks' balance sheets, Acharya said, adding: "... under-capitalised banks have capital only to survive, not to grow; those banks barely meeting the capital requirements will want to generate capital quickly, focusing on high-interest margins at the cost of high loan volumes".

The IBC will address much of the stress on banks' balance sheets by time-bound resolution. Acharya admitted that in the absence of the bankruptcy code, "the final outcomes have not been too satisfactory," of the resolution schemes introduced by the RBI.

"The schemes were cherry-picked by banks to keep loan-loss provisions low rather than to resolve stressed assets," he said.

The deputy governor also said the central bank's internal committee on improving monetary policy transmission will be finishing its report by the last week of September.

However, if the resolution is not effective, it effectively prevents the banks from passing on rate benefits to their customers.

2. RBI's Viral Acharya urges govt to inject more funds into lenders

Substantial additional capital infusion is almost surely required, he added

Reuters

Viral Acharya, deputy governor of the Reserve Bank of India, called on the government to inject "substantial additional capital" into state-owned lenders, saying the country had to urgently address the weak balance sheets in its banking sector.

Acharya's comments come after data last week showed gross domestic product grew only 5.7 percent in the April-June quarter, its slowest pace in more than three years, in part as private investments have waned as banks find themselves saddled with a record \$155 billion in bad debt.

The RBI deputy governor, in a speech to bankers in Mumbai on Thursday, welcomed central bank and government efforts to deal with the issue, including forcing lenders to more quickly recognise bad loans and the capital injections announced by New Delhi.

But he added more needed to be done given the scale of bad debt in the banking sector and the need to revive "almost moribund credit growth."

"Every few days, I wake up with a sense of restlessness that time is running out: we have created a due process for stressed assets to resolve, but there is no concrete plan in place for public sector bank balance-sheets," Acharya said.

"Substantial additional capital infusion is almost surely required."

Credit rating agencies have also called on the Indian government to inject more funds into state-owned lenders.

A Moody's study showed that the top 11 of India's 21 banks would need a capital infusion of 950 billion rupees by March 2019, far above the 200 billion rupees allotted by the government.

Financial Express

3. Bank of India cuts MCLR by 10 bps

State-owned Bank of India on Thursday slashed its one-year marginal cost of funds-based lending rate by 10 basis points (bps) to 8.3%

By: FE Bureau

State-owned Bank of India on Thursday slashed its one-year marginal cost of funds-based lending rate (MCLR) by 10 basis points (bps) to 8.3%. The bank also slashed MCLR for some other tenors by 5-10 bps and said the new rates will come into effect on Sunday.

On Wednesday, IDBI Bank had reduced by 10 basis points (bps) to 8.55%, saying that the reduction in MCLR was expected to positively impact loan growth, thereby supporting the growth impulses in the economy. Last week, Dena Bank had reduced its one-year MCLR by 15 bps. Other public sector lenders have also cut their lending rates recently. Punjab National Bank (PNB) and Union Bank of India had lowered their MCLR.

The one-year MCLR at PNB now stands at 8.15%, down from 8.35% earlier. Union Bank had reduced its one-year MCLR by 20 bps to 8.2%. This series of cuts follows the Reserve Bank of India's (RBI) decision to lower the repo rate by 25 bps to 6% at its August policy.

Economic Times

4. SBI to go all out to capitalise on reviving home loan demand

By *Saloni Shukla*

State Bank of India BSE 0.11 %, battling the lack of any major project lending plans, is planning to capitalise on the reviving demand for home loans and may use the festival season to drive its mortgage business which is already accelerating.

In what is likely the biggest push to increase market share in home loans since its teaser rates a decade ago, the biggest lender of the country has waived off processing fees for all home loans and will deploy 7,500 specialised 'feet on street' to market its home loans over and above the thousands who already do so at its branches.

"We expect that in this festive season our volumes will increase substantially, we have already brought down our interest rate which is the lowest in the industry and now we have also waived the processing fee," said Vaijinath MG, chief general manager, State Bank of India. "We have an exclusive offer for loans up to `30 lakh where interest rate is 8.35% We are also offering top-up loans where rates are comparable to our home loan interest rate and we have waived processing fee on that as well."

Banks which are facing the heat of slow loans offtake due to poor private investments are piling on the opportunity in secured lending – home loans where the defaults have been minimal so far. With loans to industry contracting to 0.3%, retail loans are growing by 15%.

SBI has also launched a new scheme campaign 'Hamara Ghar' (Our Home) that caters to the affordable housing segment. The loan carries a fixed rate of interest for two years up to a loan amount of Rs 30 lakh.

The bank posted a growth of 13.92% in its home loan book at the end of June 2017. SBI's housing loan book now stands at `2.8 lakh crore. Its overall retail book had grown by 13.31% last quarter. The bank had also reported home loan NPA ratio at 1.27%, against its overall bad loans at 9.97%.

The state-run lender, which recently completed the merger of five of its associate banks, is also a staff surplus bank now. The surplus is facilitating the bank to redeploy a lot of manpower to market its home loans and provide door-to-door services. The bank now has a network of over 24,000 branches through which it is also aggressively marketing its mortgage loan products.

"The additional employees available to us post-merger are being deployed in sales," Vaijinath said. "Now we are providing door delivery as well. So other than the 5,000

direct selling agents who work for us on commission, in-house we have 2,500 people deployed exclusively for marketing home loans.”

While reporting earnings in August, chairman Arundhati Bhattacharya had admitted to the mess the merger has created and had expressed confidence that the bank would bounce back.

“During this first quarter due to the merger exercise, the kind of follow up we need to do on the retail side that went missing,” Bhattacharya had said. “We were aware that this was going to happen since we didn’t have the data for follow up. This is an area we believe we can pull back.”

The bank also recently launched ‘SBI Realty’ an integrated website which hosts over 3,000 SBI-approved realty projects across the country. Currently, nearly 10 home units are available on the website.

Business Line

5. Saturday banking: TMB told to maintain status quo for now

VINSON KURIAN

The Regional Labour Commissioner, Madurai, has restrained Tamilnad Mercantile Bank (TMB) from making any changes to service rules and declare all Saturdays as working days for select branches of the bank.

This is in response to a dispute raised by the Tamilnad Mercantile Bank Employees Union over what it described as the unilateral decision of the management to this effect and made known through an internal circular issued last month.

The new work schedule was supposed to have come into effect from September 1 but the Regional Labour Commissioner has ordered that status quo be retained until September 18 when the two parties have been invited for conciliatory talks.

Earlier, the TMB circular said that select branches shall work on second and fourth Saturdays, currently banking holidays, with a view to building new business, expediting recovery of NPAs and improving customer service.

The newly-declared working Saturdays would apply only for the specially denoted ‘strategic branches’ (109 in number as on date). Select staff, up to a maximum of one-third of the total in such branches, and jewel appraisers, will work on these days. They will be given a compensatory leave within 15 days. Branch heads will ensure that the compensatory leave thus earned is exhausted within this time-frame. Other offices of the bank will not function on the second and fourth Saturdays, at least for now, the circular had clarified.

The Commissioner, in identical notices sent to both parties, cautioned against making any change in the service conditions during the pendency of the conciliation proceedings.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY