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Dear Comrades,

20 th April, 2018

News of Interest 20th APR

MOTIVATIONAL QUOTES

'NO MATTER WHAT PEOPLE TELL YOU, WORDS AND IDEAS CAN CHANGE THE WORLD. '

ROBIN WILLIAMS

HIGHLIGHTS

- 1. CASH WITHDRAWAL STILL HIGH ACROSS THE COUNTRY, MORE ATMS FUNCTIONING**
- 2. PERSONAL LOANS ACCOUNT FOR 96% OF NEW BANK LOANS DURING FY18: RBI DATA**
- 3. AIBEA WARNS OF PROTESTS, SAYS RBI MUST TAKE CONCRETE ACTION TO ADDRESS CURRENCY SHORTAGE**
- 4. ET VIEW: RBI SHOWS SOME TEETH WITH ONE-DAY RULE, HOPE IT STAYS THAT WAY**
- 5. NET INTEREST INCOME BOOSTS INDUSIND BANK NET PROFIT UP 27%**

Business Standard

1. Cash withdrawal still high across the country, more ATMs functioning

According to the officials, Rs 65-70 billion was the average cash withdrawn from ATMs per day

Somesh Jha

Cash withdrawal continued to remain higher than usual in the past three days across the country even as more automated teller machines (ATMs) started dispensing cash.

On Wednesday, citizens withdrew Rs 98.1 billion from all the ATMs in the country – a 16 per cent jump from the Rs 84.7 billion withdrawn on Tuesday – a day when the Union government and the RBI said the cash crunch situation would be eased by printing more notes. Cash withdrawal from ATMs stood at Rs 66.6 billion on April 16, according to data reviewed by Business Standard.

Officials said Rs 65-70 billion was the average cash withdrawn from ATMs per day.

By Thursday afternoon, 82 per cent of the ATMs started functioning across all states, compared with 60 per cent functional ATMs as of Monday. An RBI official said normally 85-90 per cent ATMs should be operational across the country.

“The situation is getting back to normal. Higher cash withdrawal only reflects that adequate money is available in ATMs though the rate of withdrawal is much higher than usual. By Friday, 86 per cent ATMs will be operational,” a senior finance ministry official said.

Situation remained poor in Bihar with 61 per cent functional ATMs, followed by Jharkhand (67 per cent), Karnataka (72 per cent), Andhra Pradesh (73 per cent) and Madhya Pradesh (76 per cent). The government has mobilised additional Rs 10 billion to the currency chest in Bihar for distribution within the state and in Jharkhand, a finance ministry official said.

“The Rs 2,000 notes have started returning to the banking system since Wednesday. The difference between deposits and withdrawal from banks is not materially different now,” the official said.

State Bank of India Chairman Rajnish Kumar told reporters that the cash crunch at ATMs would be resolved by Friday. “It is not a uniform cash crunch problem. It is there in geographies like Telangana and Bihar. We are hoping that the problem will be resolved by tomorrow because cash is in transition and it is reaching these states by today evening,” Kumar said.

The SBI chief blamed hoarding of cash as one of the reasons for the present situation. “If we (people) hold everything, then whatever supply we (banks) do, it will be insufficient for the country. So it is important that the currency is also recycled.”

An official said the government has ramped up printing of currency notes and is operating all its four presses 24x7. The presses this week have been minting Rs 500 and Rs 200 notes without a break to meet an estimated Rs 700 billion of currency shortfall in the country.

On an average, the four presses of the Security Printing and Minting Corporation of India Limited operate for 18-19 hours daily with a three-four hour break. But since the time ATMs ran dry, the presses are operating 24x7, the official said.

The government is keeping a tab of daily withdrawal of cash and deposits from banks after it witnessed a sharp difference between the two in April. On Monday, cash withdrawal stood at Rs 294.7 billion against deposits of Rs 236.5 billion. A recent analysis submitted by the RBI showed that the rate of the rate of cash withdrawal over deposits was almost double in Uttar Pradesh, Andhra Pradesh and Telangana on April 6. The finance ministry said in a statement on Tuesday that there has been an "unusual spurt in currency demand in the last three months" in some parts of the country, including Andhra Pradesh, Telangana, Karnataka, Madhya Pradesh and Bihar.

2. Personal loans account for 96% of new bank loans during FY18: RBI data

A slump in fresh investment by corporate sector key reason

Krishna Kant

In a first, personal loans are set to account for most of incremental growth in non-food bank credit during 2017-18.

According to the Reserve Bank of India (RBI) data on sectoral deployment of bank credit, personal loans, which include home, vehicle and education loans, accounted for a record 96 per cent of incremental non-food credit in the last financial year till February 16. This is more than double their share in incremental bank credit growth in the previous two years.

Personal loans accounted for 41.6 per cent and 41.5 per cent of incremental credit growth during FY17 and FY16, respectively, (see the adjoining chart). Sectoral RBI data for all of FY18 is not available yet.

Analysts attribute this largely to a slump in fresh investment by the corporate sector, hitting industrial credit demand. "This is not surprising given the recent trend in bank credit where corporates have nearly stopped taking loans and retail credit is now the only major segment that is growing for banks," said Dhananjay Sinha, head of research, Emkay Global Financial Services.

Sinha expects the trend to persist for at least a few more quarters in view of the slump in capital expenditure by the corporate sector. "There is not much of a demand for industrial credit right now, but households and individuals continue to take fresh loans as the services sector (of the Indian economy) continues to grow," he added.

Non-food credit was up by Rs 2.44 trillion during the first 10-and-a-half months of FY18, ended February 16, 2018. Of this, Rs 2.34 trillion was accounted for by personal loans. This translated into annualised growth of 17.6 per cent in personal loans during FY18.

According to the RBI's classification, loans for consumer durables purchases, vehicle/car loans, education loans, credit card debt, loans against bank fixed deposits, loans against shares and other personal loans are all clubbed as personal loans.

In comparison, credit to industry was down by Rs 528 billion during the period, while credit to the agriculture and allied sector was up by Rs 244 billion.

Total non-food credit was up by Rs 5.48 trillion during FY17, of which Rs 2.61 trillion was accounted for by personal loans.

Experts, however, expect a decline in the share of personal loans once the full-year data is available. "Historically, there is an uptick in industrial and other institutional credit during the last quarter of the fiscal year, which would lower the 96 per cent growth," said G Chokkalingam, MD, Equinomics Research & Advisory Services.

Economists see it as a further rise in the share of private consumption in the economy. "Consumption growth has been central to India's economic growth in the last few years and it seems the trend has only got stronger. Over time, this should lead to an improvement in capacity utilisation in the manufacturing sector, triggering fresh investment," said Devendra Pant, chief economist and head of public finance, India Ratings.

For others, it is a sign of growing household leverage in India as the underlying growth in personal income, including salary and wages, is much lower than the headline growth in personal loans. "Data for listed companies suggests that salary and wages are growing at 5-6 per cent a year, against 18-20 per cent annualised growth in personal loans. This could turn into a headwind for banks if consumer inflation spikes or if there is a sudden depreciation in the rupee," said Sinha.

India Ratings, however, discounts these fears given the low leverage ratio for Indian households compared to their global peers. "It is true that leverage ratios are growing in India, but Indian households are starting from a very low base and the outstanding loan to income ratio has to rise to a very high level, say 100 per cent or so, for it to reach a crisis point," Pant said.

Financial Express

3. AIBEA warns of protests, says RBI must take concrete action to address currency shortage

All India Bank Employees Association (AIBEA), representing the banking industry, today said concrete action is required by the Reserve Bank to address the cash crunch and warned of a protest on the issue

By: PTI

All India Bank Employees Association (AIBEA), representing the banking industry, today said concrete action is required by the Reserve Bank to address the cash crunch and warned of a protest on the issue. "If timely and immediate action is not taken to improve supply of currency notes, AIBEA would be compelled to ventilate the anger and agony of the public through agitations," the association General Secretary, C H Venkatachalam said.

AIBEA is part of the United Forum of Bank Unions, which is an umbrella body of nine unions, including All India Bank Officers' Association and National Organisation of Bank Workers across the country. Venkatachalam

said bank employees were facing the wrath and anger of customers due to the cash crunch.

Noting that the currency note shortage has become very acute in several states, he said, "many bank branches do not have sufficient cash to cater to withdrawals by customers". Reserve Bank of India controls the supply of money in the economy, and when more number of Rs 2,000 denomination notes were printed, it is natural that there will be shortage of small denomination notes, he said.

"Rs 2,000 notes constitute the bulk of currency supply and hence there is a shortage of notes of small denominations... viz Rs 50, Rs 100," he said. Venkatachalam claimed that even after the completion of 16 months following the announcement of denomination by Prime Minister Narendra Modi in November 2016, ATMs were yet to be "recalibrated" to disburse newly designed currency notes. "This is adding to the problem of shortage", he said.

The government's decision to allow Financial Resolution and Deposit Insurance Bill 2017 has added fear among the public as the Bill contains a clause by which Government can utilise the public deposits of customers in banks to offset losses of banks, he said.

With increasing bad loans and frequent frauds in banks, customers get a fear whether their bank deposits will be safe, he said. "The RBI Governor has made a statement that there is adequate printing of currency notes. Then where have the currency notes gone?," Venkatachalam wanted to know.

"It is high time that the present RBI Governor owns up and resigns or should be removed. RBI is grossly negligent. It is the duty of RBI and government to dispel these fears among the public," he said.

Economic Times

4. ET View: RBI shows some teeth with one-day rule, hope it stays that way

By MC Govardhana Rangan

The Reserve Bank of India was just getting back to its old habits — pampering the banks, after some 'tough love'. Its actions of the past few weeks was about to earn it a moniker — Rollback RBI.

But deputy governor NS Vishwanathan seems to have saved the regulator the blushes, if the central bank stands by what he told the audience at the National Institute of Bank Management in Pune on Wednesday.

Aspiration to get better is common, but people are hardly willing to change the way they operate. It is more so with banks. Few were willing to follow the RBI's February 12 diktat on recognition of defaults. It scrapped the plethora of loans restructuring programmes that helped paper over problems rather than revive an enterprise. The more contentious issue was treating a borrower who misses payments as defaulter the very next day.

Adopting these would mean loss of elbow room for corporates to game the system, and banks work harder and quicker to arrest a loan turning bad. No wonder lobbying was aggressive.

The focus was on how banks would find it onerous to implement them. Also, some argue that genuine companies could carry the tag of a defaulter for factors beyond their control when they miss payments.

But what they are not telling you is that to be classified as a non-performing loan the time limit is still 90 days. Medium and small enterprises are exempted from it. Be that as it may.

Vishwanathan's speech reveals the unscrupulous practice of big companies prevalent in the system for decades that no one of consequence spoke in public. "The data show that a large number of borrowers, even some highly rated ones, have failed on the one-day default norm," said Vishwanathan.

In plain English, it means financially sound companies are using the money they owe banks to invest and trade and make more money for themselves. Just imagine companies with a balance sheet size of thousands of crores keep the money that belonged to banks for 60 or 70 days and deploy them in treasury operations? Who would want to give up on that easy money?

This 90-day window to be classified as bad debt was a money spinner for smart companies, but banks lost money even though it was not accounted anywhere.

"This has got to change," he said. "If borrowers fail to pay on the due date because of a cash flow problem, banks should see that as an early warning indicator warranting immediate action. If borrowers, with ability to pay on the due date, delay it routinely or because they see other arbitrage options, that must change, too." This may have come quite late in the day, but thankfully it has.

Vishwanathan has lifted the RBI stature a few notches after a sudden drop in the regulator's credibility following flip-flops on provisioning requirements.

Regulatory actions are seen by markets as a reasonably permanent one and millions of dollars ride on them. It is also a given that rules are implemented after rigorous research and debate. But some recent experience has been unpleasant.

In January, deputy governor Viral Acharya whipped banks for seeking easing of mark-to market provisioning on their bond portfolios.

"Interest rate risk of banks cannot be managed over and over again by the regulator," Acharya told in January. "The regulator, in the interest of financial stability, is caught in such situations between a rock and a hard place....Recourse to such asymmetric options — heads I win, tails the regulator dispenses — is akin to the use of steroids."

After the March quarter losses, the RBI did what the banks asked for without sufficient reasoning, leaving investors and bankers confused.

It was the same with provisioning for cases referred to bankruptcy courts. After sounding tough, banks were provided room to provide less.

Attitude to correct mistakes deserve appreciation, but when it is done frequently it sends the wrong signal.

The one-day default norm would end one of the worst corporate practices in the country. Hope it doesn't get diluted.

Business Line

5. Net interest income boosts IndusInd Bank net profit up 27%

SURABHI

Private sector lender IndusInd Bank has reported a 27 per cent increase in its net profit at Rs 953.09 crore for the fourth quarter ended March 31, 2018, led by an uptick in net interest income.

Net profit for the fiscal 2017-18 rose by a similar 26 per cent to Rs 3,605.99 crore compared with Rs 2,867.89 crore in 2016-17.

IndusInd Bank, which is the sixth largest private sector lender, also reported a 20 per cent increase in net interest income at Rs 2,0007.59 crore in the fourth quarter. For the whole of 2017-18, its net interest income grew 24 per cent to Rs 7,497.45 crore.

Gross bad loans as a percentage of total loans stood at 1.17 per cent at end-March, compared with 1.16 per cent in the previous quarter and 0.93 per cent a year earlier.

"We are tracking well on the first year of our Planning Cycle four," said Ramesh Sobti, Managing Director and CEO, Indus Ind Bank.

Addressing reporters, Sobti said the bank expects to integrate business with Bharat Financial by July. "We have already received NoC from the Competition Commission of India and the Reserve Bank of India," he said, adding that the bank is now awaiting approval from SEBI, following which it will also require clearance from the National Company Law Tribunal.

Sobti also said that IndusInd Bank has not faced any issue of currency shortage and all its ATMs are working properly.

"We just had cash shortage in Karnataka but we flew money from elsewhere. There is no cash shortage in other places," said Sumant Kathpalia, head, consumer banking, IndusInd Bank.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

