



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)

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Dear Comrades,

2nd July , 2018

News of Interest 2nd JUL

MOTIVATIONAL QUOTES

'THE BEST WAY TO CHEER YOURSELF UP IS TO TRY TO CHEER SOMEBODY ELSE UP.'

MARK TWAIN

HIGHLIGHTS

1. **STATSGURU: GROSS NPAS OF SCHEDULED COMMERCIAL BANKS RISE TO 11.6% IN FY18**
2. **SBI, OTHER BANKS USING ARTIFICIAL INTELLIGENCE BIG TIME TO IMPROVE EFFICIENCY, CUT COSTS**
3. **BANKS BOARD BUREAU RECOMMENDS MDS FROM SBI FOR APPOINTMENT AS CEOS IN OTHER PSBS**
4. **ATM BODY URGES RBI TO CORRECT FEE STRUCTURE TO CURB LOSSES**
5. **FINMIN WEIGHS OPTIONS FOR CONSOLIDATION IN BANKING SECTOR**

Business Standard

1. Statsguru: Gross NPAs of scheduled commercial banks rise to 11.6% in FY18

In a business as usual scenario, the RBI expects bad loans to rise to 12.2 per cent by March 2019

Ishan Bakshi

Gross non-performing assets (GNPAs) of scheduled commercial banks rose to a staggering 11.6 per cent at the end of March 2018, up from 10.2 per cent in September 2017 (Chart 1), noted the Reserve Bank of India (RBI) in its latest Financial Stability Report. In a business as usual scenario, the RBI expects bad loans to rise to 12.2 per cent by March 2019. However,

it warns that if macroeconomic conditions were to deteriorate, GNPA of public sector banks may well touch 17.3 per cent by March 2019. However, the data presented in the report suggests there is reason to be optimistic. First, as shown in Chart 2, the pace at which fresh NPAs have been recognised has been steadily falling across all banks. Second, the ratio of restructured assets to total advances has come down over the past few years.

As shown in Chart 3, it now stands at 0.9 per cent in March 2018. Third, as shown in Chart 4, there has been a sharp decline in loans in the special mention accounts (SMA-2) category as percentage of gross advances, which suggests that the stress in the system is now largely recognised. Fourth, the share of large borrowers in total bank advances has declined from 56 per cent in March 2017 to 54.8 per cent in March 2018 as seen in Chart 5. Fifth, as shown in Chart 6, net non-performing assets have grown at a slow pace as compared to the rise in GNPA. This suggests a sharp increase in provisioning for bad loans by banks. On the flip side, banks continued to see a sharp deterioration in their industry loan book. As shown in Chart 7, 22.8 per cent of loans to industry turned bad in FY18, up from 19.4 per cent previously, which suggests that headline GNPA numbers are being dragged down by lower defaults in priority sector lending.

Financial Express

2. SBI, other banks using Artificial Intelligence big time to improve efficiency, cut costs

Indian banks, including state-owned SBI and Bank of Baroda, have started deploying artificial intelligence (AI) in a big way to improve efficiency, detect human behaviour and reduce operational costs

By: [PTI](#) |

Indian banks, including state-owned SBI and Bank of Baroda, have started deploying artificial intelligence (AI) in a big way to improve efficiency, detect human behaviour and reduce operational costs. State Bank of India, the India's largest lender, has SBI Intelligent Assistant (SIA) — a smart chat assistant, evolved from the "cutting edge technology of artificial intelligence, that efficiently resolves queries of NRI customers, similar to that of a bank representative. "It provides instant solutions on everyday banking queries in the chat box on the SBI portal," the state-run lender said.

The bank is also in the process of instituting an 'Innovation Centre' that will explore how emerging technologies such as AI and Robotic Process Automation (RPA) can help in making internal banking processes more efficient. Another state lender Bank of Baroda has evolved an innovative concept by setting up of hi-tech digital branch equipped with advanced gadgets like artificial intelligence robot named Baroda Brainy and Digital Lab with free Wi-Fi services.

Private sector banks too are using the advance innovative technology for improving workforce productivity and enhancing the customer experience.

"The Indian banking industry is on a rapid digital journey and has been adopting technologies like artificial intelligence and machine learning which will reshape the future. "The Indian banks are using AI as a tool to detect human behaviour, increase efficiency in automated processes and reduce

cost for iterative activities,” said Tobias Puehse, vice president, Innovation Management, Digital Payments and Labs, Asia Pacific, MasterCard.

Allahabad Bank said that its app ‘emPower’ is scheduled to get major enhancements like Chatbot and artificial intelligence based e-commerce payments. Supratim Chakraborty, Associate Partner, Khaitan & Co, said that given the immense competition in the banking sector, push for process driven services and the demand from customers to provide more customised solutions, many banks are opting for technologies using AI.

However, the complexity involved in these technologies creates several regulatory challenges. “Justice Srikrishna Committee has opined that the biggest challenge in regulating emerging technologies such as big data, artificial intelligence and the Internet of Things lies in the fact that they may operate outside the framework of traditional privacy principles,” said Chakraborty.

He opined that RBI will have to play a more proactive and dynamic role in framing regulations to balance the business interest of banks and at the same time ensure customer privacy and information protection. When asked about the implications of use of new technology, Kalpesh Mehta, partner, Deloitte India, said that investing in the right AI technology can have a major impact on bank’s operational efficiency and that its success boils down to the customer impact above all else.

“Indian banks are making AI investments in areas that are data intensive, systematic and critical to the bank’s focus on profitability, customer experience, productivity and compliance,” he said. According to a global consultancy firm PwC, in this era of technology disruption, enterprises are under immense pressure to digitise operations, and they see a future where human work can be augmented through the use of software robotics.

These enterprises, the report said, are beginning to view a digital workforce as part of their digital transformation strategy by combining elements of robotic process automation (RPA), AI and analytics to automate business processes.

3. Banks Board Bureau recommends MDs from SBI for appointment as CEOs in other PSBs

The Banks Board Bureau (BBB) on Saturday recommended managing directors from State Bank of India (SBI) for appointment as managing directors and CEOs in other public sector banks (PSBs)

By: [FE Bureau](#)

The Banks Board Bureau (BBB) on Saturday recommended managing directors from State Bank of India (SBI) for appointment as managing directors and CEOs in other public sector banks (PSBs).

It has also recommended the name of SBI chief financial officer (CFO) Anshula Kant as an MD in SBI.

The recommended names include, Gopal Murli Bhagat, P V Bharathi, M K Bhattacharya, Padmaja Chundurur, Atul Kumar Goel, S Harisankar, Mrutyunjay Mahapatra, Pallav Mohapatra, C V Nageswar, Ashok Kumar

Pradhan, J Packirisamy, A S Rajeev, CH S S Mallikarjuna Rao and Karnam Sekar.

"These recommendations are based on interactions held by the Banks Board Bureau and are subject to various clearances. The Government of India will make the final decision on appointments," the bureau added.

Economic Times

4. ATM body urges RBI to correct fee structure to curb losses

PTI|

The Confederation of ATM Industry (CATMI) has sought immediate regulatory intervention to correct the fee structure in the loss-making ATM deployed industry.

It says the latest RBI direction to reconfigure cash vending machines will increase their cost by at least 25 per cent, leaving them unviable.

The industry also said that meeting the RBI directive will be contingent solely on banks taking on the additional cost, as this will increase their operational cost by 40 per cent.

On June 21, RBI had issued a circular mandating control measures for ATMs and also to reconfigure the machine cassettes to accommodate the new set of banknotes coming to the markets.

The industry is crying foul over the mounting losses as the transaction fee is only Rs 15, which was fixed in 2012.

"The white-label ATM operators are already under tremendous financial stress and the cost of additional investments required to meet the RBI stipulated security standards will further increase their transactions cost by at least 25 per cent, CATMI director general Lalit Sinha told PTI.

"RBI should take all the stakeholders including banks and ATM service providers into consideration to find out the way forward to ensure compliance to the newly announced measures," he added.

He also said, "the cost of a transaction on ATM works out to be Rs 23 for a 150 hits/day ATM. Against this, the interchange fee that the acquiring bank/white-label ATM operator gets is only Rs 15.

"The interchange fee of Rs 15 on cash and Rs 5 on non-cash transactions is constant and not revised since 2012 despite repeated requests by the industry," he said.

While welcoming the RBI notification of June 21, that mandated more control measures for ATMs, Sinha said meeting the directive is contingent on banks bearing the additional expenses.

According to him, the recent compliance-related directives by the RBI such as cash management/logistics, cassette swap, etc will demand a sizable investment that may account for up to 40 per cent of the cost of ATM machines.

"White-label ATM operators are on a very weak viability structure as the cost of transactions are way higher than the interchange fee they receive.

The new compliance cost will put the already-stressed operators into further viability turmoil," he said.

Claiming that white-label ATM operators are the only entities deploying ATMs in remote villages, he said "with this additional cost of compliance and cash management costs, future deployments may come to a grinding halt unless interchange is increased on a priority basis."

ATM growth is already at standstill while the card issuance continues aggressively powered by Jan Dhan scheme and other government initiatives.

As banks, especially the state-run banks, are rapidly shutting down ATMs, the debit card to ATM ratio has gone up especially in semi-urban and rural areas. But this also increases investment burden on the industry players and banks should come forward and fund this "in the form of an increase in the interchange fee paid by the card issuers to the ATM deployers, else we will continue to see a lull in expansion of the ATM network, Sinha said.

Business Line

5. FinMin weighs options for consolidation in banking sector

PTI

The Finance Ministry is dusting off merger proposals of public sector banks and have started weighing various options to create few more banks of the size of SBI, sources said.

The country's largest lender State Bank of India (SBI) last month had made presentation twice before heads of other public sector lenders to share its experience of consolidation of five SBI associate banks and Bharatiya Mahila Bank with itself.

The presentation talked about advantages and challenges of merger but it also highlighted that fragmented approach of the banks is acting as an impediment in their growth.

Various permutation and combinations are being examined, sources said, but added that no decision has been taken yet.

With regard to IDBI Bank stake reduction, sources said some positive development has already taken place.

Last week, insurance regulator IRDAI permitted LIC to pick up 51 per cent stake in IDBI Bank as part of transformation of the lender.

Last year, the Department of Financial Services had written to all heads of PSU lenders informing them the government's decision to set up a ministerial panel to facilitate consolidation in the public banking space.

The government has been nudging the state-owned lenders to go for merger so that there can be fewer and stronger banks.

The ministry wants banks to undertake an internal exercise for the best match and come up with the merger idea for the alternative mechanism (AM) set up for the purpose.

The banks should analyse regional balance, geographical reach, IT compatibility, financial burden and human resource transition while firming up the merger proposal for the ministerial panel.

Last year, the Union Cabinet in August decided to set up the alternative mechanism to oversee proposals for expeditious consolidation of public sector banks (PSBs) so as to create larger and stronger lenders.

The proposals received from banks for in-principle approval to formulate schemes of amalgamation will be placed before the panel.

To fast-track consolidation, the government has exempted mergers of nationalised banks from seeking fair trade watchdog CCI's approval.

This exemption will be applicable for ten years and comes at a time when several experts and even policymakers have been talking about the need for consolidation in the banking sector, especially among state-owned banks.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY