



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

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Dear Comrades,

22nd May, 2018

### News of Interest 22nd MAY

#### MOTIVATIONAL QUOTES

ROUGH DIAMONDS MAY SOMETIMES BE MISTAKEN FOR WORTHLESS PEBBLES.  
THOMAS BROWNE

#### HIGHLIGHTS

1. SERVICES TO BE IMPACTED ON MAY 30-31 IF BANK UNIONS GO ON STRIKE, SAYS SBI
2. DEMONETISATION EFFECT: DEMAND FOR CASH RISES 7%, SAYS RBI
3. CIBIL SAYS BANKS MISSING OUT ON CREDIT-WORTHY CONSUMERS
4. DHANLAXMI BANK BOARD SUGGESTS NAMES FOR CEO POST, RBI YET TO RESPOND
5. MOODY'S DOWNGRADES PNB'S DEPOSIT RATINGS

#### Financial Express

##### 1. Services to be impacted on May 30-31 if bank unions go on strike, says SBI

The country's largest lender SBI today said its services may be impacted on May 30-31 if the proposed strike by various bank employees' unions takes place

By: PTI

The country's largest lender SBI today said its services may be impacted on May 30-31 if the proposed strike by various bank employees' unions takes place. The bank unions have been pressing for various demands, including wage revision in the wake of the proposal for a 2 per cent hike in salary. State Bank of India said the Indian Banks' Association (IBA) has

communicated to the bank that the United Forum of Bank Unions (UFBA) has served a notice to go on a nationwide bank strike on May 30-31, 2018. UFBU is an umbrella body of various bank unions like AIBEA, AIBOC, NCBE, AIBOA, BEFI, INBEF, INBOC, NOBW and NOBO.

"All India State Bank Officers' Federation and All India State Bank of India Staff Federation are members of UFBU. Thus, it is likely that our bank will also be impacted to some extent by the said strike calls," SBI said in a regulatory filing. According to an UFBU circular, earlier on May 16, it gave a memorandum to IBA followed by demonstrations.

It also gave memorandum to the finance ministry and labour ministry. Tomorrow, it is slated to give a memorandum to the secretary of the Department of Financial Services. Subsequently, demonstrations have been planned at bank branches in all centres before the two-day strike commences at month-end.

The call of the strike among others also opposes IBA's delay in resolving a charter of demands, government's casual approach to wage revision for bank employees, a meagre offer of 2 per cent hike in wage revision. UFBU has demanded an expeditious and early wage revision settlement, adequate increase in salary and improvement in other service conditions and wage revision settlement to include all officers up to scale VII.

Several others banks, including Bank of Baroda, Canara Bank and Punjab and Sind Bank (PSB), have also said that their services and functioning are likely to be impacted if the strike takes place. "If the strike materialises, a certain section of the Bank's employees may participate in strike on the said date, in which case, it is likely that the normal functioning of the branches / offices of the Bank may get affected," PSB said last week. The bank said it is taking all necessary steps in terms of the existing guidelines to deal with the strike and for smooth functioning of Bank's branches/offices.

## **Business Standard**

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### **2. Demonetisation effect: Demand for cash rises 7%, says RBI**

Over the past four years, through its twin policies of Jan Dhan Yojana and demonetisation, the govt has taken necessary steps to expand banking services substantially

Advait Rao Palepu

People's demand for cash continues to head northwards compared to pre-demonetisation levels despite the frequency of digital transactions going up and a substantial increase in bank deposits since November 2016.

Currency with the public (CwP), or people's demand for cash or currency, is 7 per cent higher at Rs 18.25 trillion at the end of April compared to Rs 17 trillion at the beginning of November 2016, the Reserve Bank of India's (RBI) data reveals.

Over the past four years, through its twin policies of Jan Dhan Yojana and demonetisation, the government has taken necessary steps to expand banking services substantially.

Today, around 80 per cent of Indians have a bank account, thanks to improvements in access to formal finance channels.

While account ownership has increased by 79 per cent since 2014, around 38 per cent of all bank accounts were inactive over the course of last year, the survey found. Similarly, the Jan Dhan Yojana, which was launched in 2014, has added around 310 million banking accounts with deposits totalling Rs 812 billion as of May 9.

As of May 2018, total bank deposits with the countries' commercial banks are up 24 per cent from Rs 21.8 trillion in November 2016 to Rs 27.2 trillion at the end of April 2018, the data revealed. During the same time period, banks distributed around 9.7 million credit cards and 130 million debit cards, bringing the total to 37.5 million credit cards and 861 million debit cards as of May 2018.

M3, which is the broadest measure of liquidity in the monetary system, has grown 13 per cent in May 2018 to Rs 140.3 trillion against Rs 124 trillion prior to demonetisation. M3 includes the value of CwP, current and time deposits as well institutional money market funds and other liquid assets, along with deposits with post offices

### **3. Cibil says banks missing out on credit-worthy consumers**

It can be noted that banking regulator Reserve Bank of India (RBI) has been flagging concerns on retail loans being the panacea for banks, which are saddled with reverses on the corporate lending side

Press Trust of India

Even after the increased focus on retail lending for a decade, banks and other lending institutions have been able to tap only into a third of the estimated 220 million credit-eligible consumers, a report said.

This leaves financiers with 150 million consumers who are eligible for credit but are untapped, credit information company Transunion Cibil said in its report on Monday. Of the eligible population of 220 million, only a third, or 72 million, are "credit active" having a live account with a bank or lending body, it said.

The missing 150 million includes those who qualify the lending criteria from the age and income perspective and also those who may have availed some credit facility in the past but are currently inactive or dormant.

This segment promises retail lending opportunities for the lenders through products such as credit cards, personal loans and consumer durable loans, the report said, adding that it will also give as a "major boost" to the economy.

"This untapped market presents an opportunity for sustained, prudent growth for lenders over the next five years and beyond. Lenders need to find ways to reach this untapped market, which likely has credit needs that are not being met currently," said Yogendra Singh, vice president - research and consulting, Cibil.

He added that the banks have been tapping the retail segment for over a decade now, leading many observers to question if retail lending is reaching a "saturation point".

It can be noted that banking regulator Reserve Bank of India (RBI) has been flagging concerns on retail loans being the panacea for banks, which are saddled with reverses on the corporate lending side.

"This is not a risk-free segment and banks should not see it as the grand panacea for their problem-riddled corporate loan book. There are risks here too that should be properly assessed, priced and mitigated," Deputy Governor N S Vishwanathan had said in a recent speech.

The Cibil report considered people in the age group of 20-69 year and with income over Rs 0.25 million a year to come to the estimate of 220 million credit-eligible consumers.

The report also forecasts that the addressable market will increase by 14-16 million consumers per year, reaching an estimated 295 million by 2022.

"As more consumers reach adult age and have disposable income, they will increasingly seek credit to help finance purchases of housing, vehicles, and household goods. As well, in an increasingly digital marketplace, they will want credit cards to help facilitate online transactions,"

Singh said.

The report also said that the total household debt in the country can nearly double to Rs 78-94 trillion by 2022, from the Rs 37 trillion last year if the country follows growth trajectories of other countries.

"There is a tremendous growth opportunity for retail lenders who are seeking to expand their customer base and grow their business," Singh said.

## **Economic Times**

### **4. Dhanlaxmi Bank board suggests names for CEO post, RBI yet to respond**

By *Saikat Das Atmadip Ray*

The Dhanlaxmi Bank board, which is in a controversy over the resignation of a director, is consulting with the Reserve Bank of India on the appointment of a new chief executive to replace the current incumbent G Sreeram, two people familiar with the matter said.

Although Sreeram's term ended in April 5, the banking regulator has asked him to continue till a new CEO takes charge.

Dhanlaxmi board has proposed three or four names as the next CEO but RBI is yet to take a decision, sources within the bank said. The bank's board is against extending a fresh term to Sreeram. People close to the Thrissur-based lender said Sreeram has not been on the best of terms with other board members.

The board last week deferred its meeting on quarterly financial results to May 23 as members differed on whether to take the loss on treasury operation at one go or to use the RBI dispensation to stagger the losses over four quarters.

The bank said in a regulatory filing that the board at its meeting on May 15 decided to defer the adoption of accounts "in order to rework by including certain items, which are eligible to be deferred as per regulatory dispensation, in view of better presentation on conservative basis."

The bank reported Rs 22 crore net loss in the third quarter with its return on assets turning negative. The bank was making losses when Sreeram joined as CEO on April 5 2015. It had Rs 242 crore net loss for FY15 with 7% gross NPA and a negative 7.9% return on assets on annualized basis.

Dhanlaxmi Bank had been on the news last week for all wrong reasons. First, its independent director G Vijaya Raghavan, a former member of the Kerala Planning Board, resigned from the bank board citing 'constant interference' by the central bank. Two days later, RBI asked the board to keep in abeyance, till further advice, the appointment of a new non-independent director Arun Rao MG, who was inducted on the board on May 15.

## **Business Line**

### **5. Moody's downgrades PNB's deposit ratings**

KR SRIVATS

Concludes review of public sector bank post Nirav Modi-led fraud announcement

Moody's Investors Service has downgraded the local and foreign currency deposit ratings of fraud-hit Punjab National Bank to Ba1/NP from Baa3/P-3.

The global credit rating agency has also downgraded the bank's baseline credit assessment (BCA) and Adjusted BCA to B1 from Ba3.

These actions complete Moody's review of PNB's ratings initiated on February 20, following the bank's announcement of the discovery of some fraudulent and unauthorised transactions (Nirav Modi and Mehul Choksi-perpetrated fraud) amounting to ₹14,400 crore (\$2.2 billion) in February and March 2018.

Moody's has also downgraded PNB's foreign currency issuer rating to Ba1 from Baa3. And, the rating agency has downgraded the Counterparty Risk Assessment of the bank to Ba1(cr)/NP(cr) from Baa3(cr)/P-3(cr). The ratings outlook is stable.

Standalone profile

Moody's said that deterioration of the standalone profile is the key driver of the rating actions.

The downgrades of the bank's BCA and ratings reflect the negative impact of the discovery of a number of fraudulent transactions on the bank's standalone profile, particularly its capital position.

The rating downgrade also reflects the weak internal controls and processes of the bank, given that the fraudulent transactions were undetected for a

number of years, Moody's said. The bank's weak earnings profile — as seen by its large stock of non-performing loans and associated credit costs — will limit its ability to absorb the impact of the fraudulent transactions over the next 12-18 months.

Furthermore, provisions relating to the fraudulent exposures will largely offset the benefit the bank will receive from the Centre's (Baa2 stable) capital infusion plan.

Moody's estimates that PNB will require external capital of ₹12,000-13,000 crore in FY19 to meet the minimum Basel III CET1 ratio of 8 per cent by March 2019, including a capital conservation buffer.

This estimate takes into account the basis provisions for the NPLs, the deferred provisions for the fraud, investment losses and employee benefit expenses as well as a reduction in risk-weighted assets.

On February 14, 2018, PNB announced to the stock exchange that it had discovered some fraudulent and unauthorised transactions amounting to ₹11,390 crore (\$1.7 billion). Based on the bank's subsequent announcements, PNB's total exposure to these transactions amounts to ₹14,400 crore (\$2.2 billion).

Moody's expects that PNB will receive capital support from the Centre, and that the bank will be able to release some capital from the sale of its non-core assets — such as its real estate holdings — as well as a partial stake-sale in its listed housing finance subsidiary, PNB Housing Finance.

Nevertheless, these sources will unlikely prove sufficient to restore the bank's capitalisation to levels before the fraudulent transactions were discovered, according to Moody's.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**