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Dear Comrades,

19th November , 2018

News of Interest 19th NOV

MOTIVATIONAL QUOTES

'THERE ARE TWO KINDS OF PEOPLE, THOSE WHO DO THE WORK AND THOSE WHO TAKE THE CREDIT. TRY TO BE IN THE FIRST GROUP; THERE IS LESS COMPETITION THERE. '

INDIRA GANDHI

HIGHLIGHTS

1. IDBI BANK AND 10 OTHER BANKS UNDER PCA NEAR ASSET QUALITY STABILITY
2. RBI BOARD MEETING TODAY; PCA, NBFCs, ECONOMIC CAPITAL FRAMEWORK IN FOCUS
3. AS SBI'S YONO SUSPENDED POST SC VERDICT ON AADHAAR, BANK SEEKS CLARIFICATION FROM RBI
4. HDFC DISBURSES RS 1,100 CRORE SUBSIDY TO 51,000 HOME BUYERS UNDER PMAY
5. CIC AGAIN ASKS PMO, RBI TO DISCLOSE WILFUL DEFAULTERS' LIST, RAGHURAM RAJAN'S LETTER ON BAD LOANS

Business Standard

1. IDBI Bank and 10 other banks under PCA near asset quality stability

The net interest income has shrunk sequentially since their loan book is growing at a slow pace or contracting in some cases

Abhijit Lele

Eleven state-owned banks under Prompt Corrective Action (PCA) regime are inching towards gaining stable asset quality. Sequentially, the asset quality profile of these banks seems to be gaining some stability.

Their gross non-performing assets declined in the second quarter (Q2) over the first, indicating that pace of fresh slippages is slowing. Banks have also

THE 11 BANKS

IDBI BANK	CENTRAL BANK	INDIAN OVERSEAS BANK	UNITED BANK OF INDIA
BANK OF INDIA	BANK OF MAHARASHTRA	ALLAHABAD BANK	ORIENTAL BANK OF
DENA BANK	CORPORATION BANK	UCO BANK	COMMERCE

written off many bad loans for which they made 100 per cent provisions.

Also, net NPAs and the amount of bad loans yet to be provided have also shrunk sequentially. The provisions for bad loans made in the second quarter were less compared to Q1.

However, their net loss have remained elevated in the second quarter. In fact, it rose to Rs 101.97 billion in Q2 from Rs 98.72 billion in the previous quarter. The net interest income has shrunk sequentially since their loan book is growing at a slow pace or contracting in some cases.

2. RBI board meeting today; PCA, NBFCs, economic capital framework in focus

In the first fortnight of November, NBFCs were able to issue CPs worth Rs 1.03 trillion as against debt of Rs 726.8 billion that was set to mature during this period

Ishan Bakshi

On Monday, the Reserve Bank of India's (RBI) board is expected to take up several issues on which sharp differences exist between the government and the central bank. Three are reportedly of critical importance.

First, the liquidity crunch facing the non-banking financial companies (NBFCs). Second, the slowdown in credit to micro, small and medium enterprises (MSMEs). And third, whether the RBI is holding on to excess capital on its balance sheet.

Addressing liquidity concerns

Since the implosion of IL&FS, there have been concerns that with liquidity drying up, as buyers of commercial papers (CPs) had turned cautious, NBFCs would have a tough time rolling over the debt obligations.

November was believed to be a particularly crucial month as Rs 1.03 trillion of NBFC debt (excluding debt of relatively safer entities such as Nabard, NHB, LIC housing) was set to mature.

But, two weeks later, there is an uneasy calm.

In the first fortnight of November, NBFCs were able to issue CPs worth Rs 1.03 trillion as against debt of Rs 726.8 billion that was set to mature during this period, data accessed by Business Standard shows.

A look at the day-wise yield to maturity (weighted average) of CPs issued during this period suggests little evidence of systemic stress. To be fair,

there are outliers. Granular data shows that yields of some NBFCs have touched north of 10 per cent. But, NBFCs have been able to either roll over or retire their debt.

This raises questions - Who is buying? And has normalcy been restored in the market?

"It is possible that financial institutions such as SBI and LIC have stepped in to calm the market," market participants said. "Mutual Fund houses may have also helped rollover debt as a default could have had a cascading effect," they added.

Higher securitisation transactions may have also helped meet repayment obligations. According to Crisil Ratings, securitisation volumes had touched Rs 180 billion in October. And while data for November isn't available yet, the volumes are robust, experts told *Business Standard*.

The situation may have improved, but it is early to say if the worst is behind us. "Rs 720 billion of NBFC set is maturing between November 19 and 30. A single default could have huge ramifications," experts said.

It is important to note that these liquidity concerns also have a bearing on credit flow to MSMEs. Data from TransUnion Cibil shows that the share of NBFCs in total credit to MSMEs has jumped from 8.4 per cent in June 2016 to 11.3 per cent in June 2018, implying that liquidity issues could have a direct impact on credit flow to MSMEs.

Easing RBI's PCA framework

The other area of disagreement revolves around RBI's PCA framework. Of the 21 public sector banks in India, 11 are currently under PCA, which the government believes has disrupted credit flow to MSMEs.

The fundamental question is whether the RBI should tweak its PCA framework? Should it allow banks under PCA to lend to MSMEs or should some banks be allowed to exit? And will this improve credit flow to MSMEs?

Now, the quarterly results show that while the financial position of some PCA banks has improved, it remains precarious. In absolute terms, gross NPAs of these banks appear to have peaked in March 2018. But as their loan book has shrunk, their GNPA ratio (as percentage of advances) has worsened, rising from 20.45 per cent in Q4FY18 to 21.01 per cent in Q2FY19, CARE Ratings data shows.

On the other hand, the provision coverage ratio of these banks has improved over the period. But while their cumulative losses have declined, only Bank of Maharashtra, OBC and Corporation Bank reported profits in Q2FY19.

Of these, OBC and Corporation Bank are in better shape. These banks have a higher capital adequacy ratio, have higher provision coverage ratios and have registered a decline in their absolute GNPA. However, their net NPAs remain high at 10 and 11.65 per cent, respectively, well above the first PCA risk threshold level of 6 per cent.

At this stage, it is difficult to know for sure if bringing these banks out of PCA or easing their lending restrictions will help improve credit flow to MSMEs.

Data accessed by Business Standard shows that 10 of the 12 banks (including a private sector bank) under PCA had already achieved the priority sector lending sub-target of 7.5 per cent to the micro sector as of March 31, 2018.

Besides, the direction of credit also needs to be factored in.

At the aggregate level, bank credit to micro and small enterprises (MSEs) has risen from Rs 7.2 trillion in April 2014 to Rs 9.9 trillion in September 2018, shows RBI data.

But much of this growth has been directed towards MSEs in the services sector, which has surged from Rs 3.7 trillion to Rs 6.3 trillion over this period.

By comparison, credit to MSEs, medium- and large-sized industrial firms has barely registered a rise over this period.

This raises the question – if bank credit to industry is almost the same as it was four years ago, will tweaking the PCA framework improve credit flow to MSMEs?

Economic capital framework

The board is also likely to discuss RBI's economic capital framework to determine if the level of reserves it holds is excessive or not. Now, RBI's currency and gold revaluation reserves stood at Rs 6.9 trillion at the end of June 2018, up Rs 1.6 trillion from last year, benefitting from the rupee's depreciation. While some have argued that this reserve should be excluded from RBI's capital calculations as it is an unrealised gain, one should point out that losses on this account are charged from the contingency fund.

Financial Express

3. As SBI's YONO suspended post SC verdict on Aadhaar, bank seeks clarification from RBI

By: [PTI](#) | Published: November 18, 2018 11:53 AM

As SBI's one-stop solution platform 'YONO' for accessing all the banking services digitally remained suspended following the Supreme Court's order on Aadhaar seeding, the bank has sought clarity from the RBI for an alternative solution, a top official said.

As SBI's one-stop solution platform 'YONO' for accessing all the banking services digitally remained suspended following the Supreme Court's order on Aadhaar seeding, the bank has sought clarity from the RBI for an alternative solution, a top official said. The Supreme Court order on September 26 said it was not mandatory to link the 12-digit unique identification number Aadhaar for opening or availing banking services, among others.

Since then the State Bank of India (SBI) has disabled the facility of opening paperless bank account through 'You Only Need One' (YONO) temporarily, customers are required to visit a branch to open an account. "As of now the e-KYC is not being permitted, so we want some clarification from the RBI. We have discussed this with the regulator. So after the clarification comes, then we can start (doing e-KYC through Aadhaar)," the official told PTI.

The digital platform 'YONO', launched in November 2017, offers all financial services and lifestyle products and services of the bank including opening an account without even visiting a bank branch. Among others, customers can also transfer funds, avail of pre-approved personal loan sans any paperwork and get overdraft facility against fixed deposits.

SBI has set an ambitious customer base to 250 million through YONO platform in the next two years. By August, there were more than 2.5 million users registered under YONO platform of the bank. Before the SC order on Aadhaar, the unique identification number was made mandatory for a host of services including banking and telephony and became a one-point solution to complete the know your customer (KYC) requirement at an affordable cost.

Economic Times

4. HDFC disburses Rs 1,100 crore subsidy to 51,000 home buyers under PMAY

PTI|

Housing finance firm HDFCNSE 1.91 % said Sunday it has disbursed over Rs 1,100 crore subsidy to over 51,000 customers under the government's flagship scheme Pradhan Mantri Awas Yojana (PMAY).

HDFC has provided loans of over Rs 9,800 crore under PMAY-Credit Linked Subsidy Scheme (CLSS), to these customers belonging to EWS (Economically Weaker Section), LIG (Low Income Group) and Middle Income Group (MIG) category, the housing finance firm said in a statement.

It further said HDFC during the quarter ended September 30, 2018 approved 37 per cent of home loans in volume terms and 18 per cent in value terms to customers from the EWS and LIG segment.

The company on an average has been approving 8,300 loans on a monthly basis to the EWS and LIG segment, with monthly such average approvals at approximately Rs 1,354 crore, it said.

The average home loan to the EWS and LIG segment stood at Rs 10.1 lakh and Rs 17.6 lakh respectively, it added.

CLSS was introduced in June 2015 under PMAY for home loans to customers from the EWS, LIG and was extended to Middle Income Group (MIG) from January 2017.

Business Line

5. CIC again asks PMO, RBI to disclose wilful defaulters' list, Raghuram Rajan's letter on bad loans

PTI

Severely admonishing the RBI and the PMO, the Central Information Commission has again directed them to disclose the list of wilful defaulters and Raghuram Rajan's letter on bad loans.

In an exhaustive 66-page order, the panel pulled up the Prime Minister's Office for not complying with its directive to disclose the letter from former RBI Governor Rajan on bad loans.

Information Commissioner Sridhar Acharyulu said, "If there is any objection based on any exception, the PMO should have pleaded such provision and justify their denial."

He said the PMO refused to comply with the direction of disclosure of action on Rajan's letter on "grounds which are not legal, which is unfortunate". Acharyulu was hearing the plea of one Sandeep Singh, who had sought details of bank loan defaulters.

The commission had earlier issued a show-cause notice to RBI Governor Urjit Patel for "dishonouring" a Supreme Court judgement and CIC directive on disclosure of the list of wilful defaulters.

The PMO has a "moral, constitutional and political duty" to tell the citizens of India as to who the defaulters are and what action has been taken to recover the huge loans advanced to them by banks, from out of taxpayer's money, he said.

The commissioner said several categories of information were declared by the RBI as not disclosable as part of their 'disclosure policy' and the RBI calls the exceptional clauses under the RTI Act as 'enabling' provisions.

"It is against the RTI Act, the collective intention of Parliament, affront to democracy, reflecting disrespect to the Supreme Court's directions in RBI v Jayantilal N Mistry case. The RBI has a strong legal team with experienced legal experts and meritorious graduates from National Law Schools, yet has audacity to openly defy RTI Act, CIC directions and judgement of the Supreme Court," he said.

He said according to the law, in each RTI request, the CPIO and First Appealing Authority (FAA) of the RBI need to justify the denial under exceptions prescribed under Sections 8 and 9 of the RTI Act.

"But any public authority cannot declare that it will never give such information as declared by the RBI. Exceptional provisions under the RTI Act cannot straightaway enable a public authority to deny in advance," he said.

Acharyulu said in spite of the Supreme Court's direction that Section 22 of the RTI Act will override the RBI Act and other Acts, the RBI again quoted those Acts and declared that it would not give information. "The RBI has totally ignored the provisions of the RTI Act," he said.

This non-disclosure in the name of 'disclosure' policy is also in contradiction of various office memorandum and guidelines issued by the Department of Personnel and Training under the RTI Act, he said.

"If the RBI does not respect the SC orders and denies the citizens right to information, it will result in perpetuation of financial regime of secrecy that is potential enough to facilitate financial fraud and allow fraudulent rich and influential business persons to flee the country, as witnessed in recent times," Acharyulu said.

He again directed the PMO to disclose the names of the defaulters, action taken for recovery of loans in response to Rajan's letter and the policy, if any, about recovery from defaulters, including high-profile ones.

Acharyulu also urged parliamentary committees such as the Public Accounts Committee, Committee on Finance and Committee on Estimates to deliberate on the issues raised in this case as they are also seized of such matters.

"The commission directs the office of this CIC to present the copy of this order to the concerned officers of Parliament, who are responsible for placing such papers before the respective committees within one week from the date of issue of this order," he said.

He rejected the submission of the representative from the PMO who had informed the CIC that the RTI application in this particular case had been filed by the applicant with the Directorate-General of Employment and Training (DGEAT) and no copy of the said RTI was received in the PMO from either the applicant or on transfer from any other public authority.

Acharyulu said, "The PMO contended that as the original RTI application, first and second appeals were not filed with the PMO, the direction to provide information was not maintainable and hence the compliance question does not arise."

"The commission cannot agree with this kind of attempt to deny the substantive part of information access by unreasonable procedural interpretations without any legal basis. There is no provision in the RTI Act that prevents the Information Commission from directing any public authority to provide information if that is possibly available with them," he said.

He said information pertaining to the identities of loan defaulters and action taken against them is an issue of the larger public interest. "The stand taken by the PMO in this case will not serve any public interest, and compel the citizen to start his effort ab initio, by filing an RTI request with PMO, treating as a separate unconnected public authority and reach the ultimate level at the CIC or up to the Supreme Court, if the government prefers to litigate with the citizen and ultimately it has to give that information.

"This was not the intention of Parliament in passing the RTI Act, 2005 that aimed at creating a practical regime and not procedural tangles to delay and deny access to public information," he said.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

