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Dear Comrades,

7th September, 2018

News of Interest 7th SEP

MOTIVATIONAL QUOTES

IT ALWAYS SEEMS IMPOSSIBLE UNTIL IT'S DONE. NELSON MANDELA

HIGHLIGHTS

1. AGRICULTURAL LOANS WORTH RS 590 BN WENT TO 615 ACCOUNTS IN 2016: RTI REPORT
2. COMPLYING WITH RBI DEADLINE, PNB, UBI AND ANDHRA BANK PUT NPAS OF RS 4,441 CRORE ON SALE
3. PAYTM BUILDING TECH TO CHECK 'CREDIBILITY SCORE' OF BORROWER
4. NO CLEARANCE OF NON-CTS COMPLIANT CHEQUES FROM JANUARY: PUNJAB NATIONAL BANK
5. MONETARY LIMIT FOR FILING CASES IN DRT DOUBLED TO RS 20 LAKH

Business Standard

1. Agricultural loans worth Rs 590 bn went to 615 accounts in 2016: RTI report

Data from the RBI reveals that massive amounts have been given to people in the name of agricultural loans even during the UPA govt

Dheeraj Mishra |

Government banks handed out Rs 585.61 billion to 615 accounts in agricultural loans in the year 2016. On average, each account has been given over Rs 950 million in agricultural loans.

This information was revealed by the Reserve Bank of India in response to a Right to Information (RTI) application filed by The Wire.

Agricultural loans incur lower interest rates as compared to other common loans, and they are also given under fewer preconditions than the average loan. These changes were made to make it easier to give loans to small and marginalised farmers. At the moment, farmers are given agricultural loans at the interest rate of 4%.

Kiran Kumar Veesa, the founder of the farmers' organisation Rythu Swarajya Vedika, said, "Many big companies involved in agri-business are taking loans under the agricultural loans category. Companies like Reliance Fresh come under the agri-business company category. They engage in the buying and selling of agricultural produce, and take loans under the agricultural loans category for the construction of godowns or other such related activities."

In order to give top priority and ensure the development of some economic sectors in the country, the RBI has issued a directive to banks that they invest a fixed part of their total loans into sectors like agriculture, micro, small and medium enterprises, export credit, education, housing, social infrastructure and renewable energy. This is called priority sector lending (PSL).

According to the PSL policy, banks are required to hand out 18% of their total loans to the agricultural sector, targeting small and marginalised farmers. Veesa told The Wire, "The problem is that banks are giving a big percentage of this to corporate and big companies, as a result of which farmers are unable to avail these loans."

He further stated, "Actually, it is pretty easy for big companies to take loans under the PSL policy as the regulations around giving the loans are lax and the interest rate is also quite low compared to general loans. Banks hand out big loans so that their resources remain intact."

The Wire also filed RTI inquiries in all zonal branches of the State Bank of India for state-wise data, but no branch except the Mumbai zone revealed the information. SBI Mumbai zone stated that the Mumbai City branch – one of the richest localities in Mumbai – has given out Rs 299.5 million in loans to three accounts.

Going by these numbers, each account has been given almost Rs 100 million on average in loans, whereas in the same branch, more than Rs 270 million have been given in loans to nine accounts. However, the bank did not provide information on the names of the beneficiaries of these loans.

Agricultural expert Devendra Sharma has said that big corporations are being given loans at a cheaper rate after pronouncements in the name of farmers. "There is just the charade of solving farmers' problems," he said. "What kind of farmers are these who are being given Rs 1 billion in loans? This is all a show. Why is the industry being given loans in the name of farmers?"

Sharma says that banks also stand to benefit from this whole process, and that is why such massive loans are being given under the agricultural loans category. "Here, Rs 1 billion can easily be given to a company. If the same amount were to be given to farmers, at least 200 people would be required. Banks are giving out such massive loans so that their resources are depleted less and the target of 18% can be achieved soon."

The National Democratic Alliance government had kept giving out Rs 8.5 trillion in agricultural loans in 2014-15, which has increased to Rs 11 trillion in 2018-19. However, data accessed by The Wire from the RBI reveal that a big chunk of this is made up of massive loans. Agricultural experts say these loans are going to agri-business companies and the industrial sector.

Agricultural loans are given under three subcategories – agricultural debt, foundational agricultural infrastructure and supporting activities. Godowns and cold-storages fall under foundational infrastructure. For these, loans up to Rs 1 billion are given. Things like the setting up of agri-clinics and agri-business centres fall under supporting activities, and for these too the limit for loans is Rs 1 billion.

Data from the RBI reveals that massive amounts have been given to people in the name of agricultural loans even before 2016. In 2015, 604 accounts received Rs 521.43 billion, which comes to Rs 863.3 million per account, whereas Rs 601.56 billion (at an average of Rs 912.8 million per account) was given in agricultural loans in 2014. The same method was being followed during the UPA government as well.

Where 2013 saw 665 accounts receive Rs 560 billion at an average of Rs 8430 million per account in agricultural loans, 698 accounts received Rs 555.04 billion at an average of Rs 795.1 million per account in 2012.

Kedar Sirohi, a farmer from Madhya Pradesh and a member of the Aam Kisan Union, is of the opinion that the government first traps farmers in a vicious cycle of debt, and when a farmer wishes to take a loan in order to do better financially, he is harassed by the banks. An ordinary farmer cannot even imagine that the government is handing out loans to the tune of hundreds of crores to big corporate companies after launching schemes in their name.

Sanjeev, a farmer, lives in It tawa, Uttar Pradesh, and farms over four acres of land. He says that a chunk of agricultural loans is taken by the middlemen who help secure it. Some farmers take loans under duress as they don't have money, but even for this, they have to make several rounds to the bank and face ridicule from the bank officials. It's a mystery who these 615 account holders are, who have received so much money as agricultural loans.

Devendra Sharma says that the loans given to farmers and agri-business companies should be separated. Farmers should not be defrauded by giving companies loans under the 'agricultural' tag. Sharma said he had made this suggestion in front of the finance minister, but no reactions were received.

Financial Express

2. Complying with RBI deadline, PNB, UBI and Andhra Bank put NPAs of Rs 4,441 crore on sale

PNB has put on sale 21 accounts having ` 1,320 cr outstanding; Andhra Bank's 53 entities have ` 2,549-cr debt; UBI's 30 accounts have total outstanding of ` 572 cr

By: Shritama Bos

Three public sector banks (PSBs) — Punjab National Bank (PNB), Andhra Bank and United Bank of India (UBI) — have put non-performing assets (NPAs) worth Rs 4,441 crore up for sale as the 15-day deadline to resolve such accounts comes closer.

As per the Reserve Bank of India's (RBI) February 12 circular, NPA accounts in which banks have an exposure of Rs 2,000 crore or more must be referred to the insolvency courts unless they were resolved by August 27. The circular gives banks another 15 days to move to the court.

PNB has put on sale 21 accounts with an outstanding of Rs 1,320 crore, of which the largest are Moser Baer Solar, with an outstanding of Rs 233 crore, Divine Alloys & Power Co (Rs 201 crore) and Divine Vidyut (Rs 133 crore). Bids have been invited on both cash basis and as a mix of cash and security receipts (SRs) for most accounts. Seven of them are being offered on a 100% cash basis.

The reserve prices put out by PNB suggest that it is willing to take a haircut of up to 92% in at least one account — Birla Surya — which is being offered only on a full-cash basis. For the three largest accounts on sale, the haircuts could range between 5% and 66%. PNB intends to incur no haircut on its exposure to The Mobile Store Services, for which the reserve price has been set on par with the outstanding of `24 crore.

Andhra Bank's tranche of accounts consists of its exposure to 53 different entities with a total outstanding of Rs 2,549 crore. The largest exposures are Corporate Power (Rs 299 crore), Visa Steel (Rs 207 crore) and Tulsyan NEC (Rs 152 crore). Two of the Transitory group's road projects, with a cumulative exposure of Rs 245 crore, have also been put on the block. Visa Steel and Transstroy India are known to be part of the RBI's second list of large NPA accounts marked out for resolution under the Insolvency and Bankruptcy Code (IBC). Andhra Bank has not listed reserve prices for the accounts in its bid document.

Kolkata-headquartered UBI has sought bids for its exposures to 30 accounts with a cumulative outstanding of `572 crore. The names of individual accounts could not be immediately ascertained.

3. Paytm building tech to check 'credibility score' of borrower

By Raghav Ohri

Paytm has set its sights on evolving a mechanism to determine the "credibility score" of a person seeking loan from a bank.

The company's team in Toronto is actively working on a reliable system that can be relied upon by banks to ascertain the credibility of a loan-seeker.

Paytm CEO Harinder Takhar said the mechanism would go a long way in aiding banks to determine whether it would be safe to grant a loan to an individual.

"The credibility of an individual can be ascertained from the nature of his digital transactions, which tell you a lot about his behaviour," Takhar told ET. "If a reliable system is evolved, which can predict with sufficient accuracy about the capacity and willingness of an individual to return his/her loan, it would tremendously help the lender."

Paytm's Toronto office, which houses nearly 100 employees from diverse backgrounds, is working on an algorithm to present a solution. With the number of non-performing assets on the upswing and defaulters escaping clutches of law after duping banks of crores of rupees, banks have become wary of offering loans.

Takhar said "access to capital" is pivotal to growth. He underlined the need of capital for a small-level entrepreneur who aspires to grow his business but is unable to do so on account of non-release of loans by banks. The mechanism will be a boon for both customers and banks, Takhar indicated.

He said the Toronto office houses the "fraud prevention" team of Paytm. The team of nearly 10 data-crunching experts keep a close eye on the digital purchases being made through Paytm. Any suspicious activity by a client is immediately red-flagged to the team in India.

With plans to make it big in Canada, Paytm is also eyeing to capitalise on the lack of Canadian customers indulging in making digital payments. As per available information, nearly 30% of Canadian customers do not make digital payments.

4. No clearance of non-CTS compliant cheques from January: Punjab National Bank

PTI

Punjab National Bank(PNB) has asked its customers to get their non-CTS compliant cheques replaced as these instruments will not be accepted for clearance in the banking system from January. Non-CTS compliant cheques shall not be processed for clearing with effect from January 1, 2019, PNB said in a notification.

"Get your non-CTS cheque book replaced immediately," it said.

The Cheque Truncation System (CTS) is a process of stopping flow of physical cheque in which an electronic image of the instrument is presented when it comes for clearing.

This eliminates the cost of movement of physical cheques and reduces the time for clearance for better delivery of services to customers.

As per RBI, banks are advised to issue only CTS-2010 standard cheques to their customers.

Business Line

5. Monetary limit for filing cases in DRT doubled to Rs 20 lakh

PTI

The government Thursday doubled the pecuniary limit to Rs 20 lakh for filing loan recovery application in the Debt Recovery Tribunals (DRT) by banks and financial institutions.

The move is aimed at helping reduce pendency of cases in DRTs.

There are 39 DRTs in the country.

The Central government has raised "the pecuniary limit from Rs 10 lakh to Rs 20 lakh for filing application for recovery of debts in the Debts Recovery Tribunals by such banks and financial institutions," said a Finance Ministry notification.

As a result, any bank or financial institution or a consortium of banks or financial institutions cannot approach DRTs if the amount due is less than Rs 20 lakh.

As per RBI data on global operations (with provisional data as on March 2018), aggregate amount of Rs 3,98,671 crore was written-off by banks over the last four financial years. Over the same period, their NPAs reduced by Rs 2,57,980 crore due to recoveries.

Banks and financial institutions' recovery of dues takes place on ongoing basis through legal mechanisms, which inter-alia includes Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, Recovery of Debts to Banks and Financial Institution (DRT) Act and Lok Adalat.

The borrowers of such loans continue to be liable for repayment even when the loans have been removed from the balance sheet of the bank(s) concerned.

To make the tribunals more effective and to facilitate fast disposal of debt recovery cases, the government has made several amendments in different laws, including the SARFAESI Act.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

