



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

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Dear Comrades,

15 th April , 2019

**News of Interest 15<sup>th</sup> APR**

QUOTE OF THE DAY

“FAILURE WILL NEVER OVERTAKE ME IF MY DETERMINATION TO SUCCEED IS STRONG ENOUGH. “

OG MANDINO

**HIGHLIGHTS**

1. UNSECURED LENDING CATEGORIES GREW AT 31.3% IN 2018, SAYS CIBIL REPORT
2. RATE CHANGE IN MULTIPLES OF 25 BPS NOT SACROSANCT: RBI GOVERNOR
3. INDIA'S 2ND LARGEST LENDER BANK OF BARODA TO EVALUATE BOARD PERFORMANCE
4. BANK OF BARODA EXPECTS TO COMPLETE INTEGRATION OF DENA BANK, VIJAYA BANK IN TWO YEARS
5. LENDERS HAVING VESTED INTEREST IN DEBTOR SHOULDN'T BE PART OF CREDITORS' PANEL: NCLT

**Business Standard**

**1. Unsecured lending categories grew at 31.3% in 2018, says CIBIL report**

All major consumer lending products experienced double-digit percentage growth

Subrata Panda

Unsecured lending categories like credit card loans, personal loans and consumer durable loans grew at 31.3 per cent in the fourth quarter of calendar year 2018 (Q4CY18), while secured lending — loan against property, auto loans and home loans — experienced a moderation in growth in the same period, according to a TransUnion CIBIL report on credit trends.

In Q4CY18, loan against property, auto loans, and home loans grew 21.8 per cent, 17.4 per cent and 17.1 per cent, respectively. According to industry experts, the smaller base of unsecured lending helps it post a better growth rate, in percentage terms, than other loan segments.

On the demand side, the link between income and expenditure is becoming weaker with rising aspirations especially among the younger working population, say experts. Hence, consumption spending is giving rise to unsecured shorter-term credit.

To add to that, because of competition, banks and non-banking financial companies (NBFCs) are catering to segments like credit card loans, personal loans and consumer durable loans because they can charge higher interest rates in such segments.

“As a proportion, unsecured credit makes up for a small portion of the overall balance sheet. But it can be said that lenders are engaged in unsecured credit delivery to shore up their profit margins as the interest rates charged on such advances is much higher than other loans,” said Karthik Srinivasan of credit rating agency ICRA.

According to the CIBIL report, all major consumer lending products experienced double-digit percentage growth in the number of accounts in the fourth quarter. Also, the credit card segment saw one of the highest rates of growth, both in total balances and in the number of accounts.

The report said in recent years, India has experienced a transformation of the consumer mindset — from a savings-focused and debt-averse country, it has become a more consumption-focused, leveraged economy. The rate of change has been, and still is, significant, and is because of multiple factors: changing demographics, urbanisation, rising digitalisation and the subsequent rise of e-commerce, improved access to retail lending, and increased exports.

This trend has engendered an industry situation where consumption lending products (credit cards, personal loans and consumer durable loans) have shown robust growth.

In contrast, secured lending or asset lending products mainly comprises big-ticket loans. And, because of the funding issues the non-banks faced in the past couple of quarters and the increase in funding costs, NBFCs are not being able to shore up their liabilities which makes it increasingly difficult for them to shore up their assets, especially in the big-ticket segments.

“On the secured retail lending front, the real estate stress is probably showing up as NBFCs have dropped lending to both the buyers and developers and banks are picking those credits only selectively. Hence, especially the mid and small developers that often get financed by NBFCs are not getting credit in a material manner,” said Jindal Haria, Associate Director – Banking and Financial Institutions at India Ratings.

“This also implies that bank approvals for eligible projects has reduced which in turn means less stock suitable for buyer financing,” he added.

The robust growth in unsecured lending has resulted in banks seeing a marginal uptick in delinquencies in unsecured segments.

"Overall income levels and employment, especially in traditional services businesses, has grown annually in single digits in the past 2-3 years but retail unsecured credit has grown by over 25 per cent. Over the next few years, this divergence could manifest in higher delinquencies if growth doesn't slow," Haria added.

## **2. Rate change in multiples of 25 bps not sacrosanct: RBI governor**

Asked about structural reforms in India in the past few years, the RBI governor listed the implementation of the GST and the IBC, among others

Anup Roy

Reserve Bank of India (RBI) Governor Shaktikanta Das has asked central banks across the world to think "out of the box" and suggested, for example, that changing policy rates by 25 basis points (bps) or multiples thereof is "not sacrosanct and just a convention". He said monetary policy could be well served by calibrating the size of the policy rate to the dynamics of the situation, and the size of the change itself could convey the stance of policy.

"If the easing of monetary policy is required but the central bank prefers to be cautious in its accommodation, a 10 bps reduction in the policy rate would perhaps communicate the intent of authorities more clearly than two separate moves – one on the policy rate, wasting 15 bps of valuable rate action to rounding off, and the other on the stance, which, in a sense, binds future policy action to a pre-committed direction," Das explained, while speaking at the "Governor Talks" programme on the sidelines of the International Monetary Fund (IMF)-World Bank Spring Meetings in Washington.

"Likewise, in a situation in which the central bank prefers to be accommodative but not overly so, it could announce a cut in the policy rate by 35 bps if it has judged that the standard 25 bps is too little, but its multiple, i.e. 50 bps, is too much," he added.

Later, in a chat with Changyong Rhee, director of the IMF's Asia and Pacific Department, Das said he would "rather wait for more reactions, comments and observations from other central banks" on the idea.

Asked about structural reforms in India in the past few years, he listed the implementation of the GST and the Insolvency and Bankruptcy Code, among others. "Areas that require attention in terms of reforms would be labour and land. Many steps have been taken already at the provincial level, but much more needs to be done," he said.

"One major area where reforms are necessary in India — again that is something that lies in the domain of the state government — is agricultural marketing. We have certain laws related to agricultural marketing, which act as impediments in getting private investments in creation of agricultural markets. As a result, the flow of private capital into creating a value chain in agricultural products from the farm to consumers is getting hampered. The laws are in the domain of the state governments and they need to be completely overhauled," the RBI governor said.

Das said India's average growth rate of 7.5 per cent over the last few years was very good, but the country needed to grow at over 7.5 per cent. "In fact, India needs to grow at about 8 per cent to eliminate poverty. There is still a large number of poor people living in India. There are still many challenges in social and other development sectors. So India needs to grow faster," he said. "I don't want to start a debate on what should be the potential growth rate of India, but by and large, let me say 7.5 per cent plus should be the reasonable growth rate that India can expect." He cautioned that global spillovers of loose monetary policy measures, in the absence of a financial safety net, could be unintentionally forcing emerging market economies (EMEs) to "break out and challenge the hegemony of dominant reserve currencies". Managing such spillovers, he said, was a formidable challenge for EMEs.

"We live in a world of mobile capital flows where consequences of their arrivals, sudden stops, and reversals are to be borne nationally," he said, adding that while a safety net remained elusive, the strengthening of resources of the IMF got pushed out into time whenever EMEs came together for the Spring or Annual meetings. "Under these conditions, EMEs, which are typically at the receiving end when global spillovers flare up, have no recourse but to build their own forex reserve buffers. Paradoxically, the accumulation of reserves has become stigmatised, including with labels such as 'currency manipulation'."

Das said there was a need for greater understanding on both sides, and assured that the RBI was not contemplating leading the pack of break-out nations.

Das's comments come at a time when the IMF has warned that 70 per cent of the global economy was slowing down, while the rest, led mainly by EMEs, was expected to grow. According to estimates by Bank of England, EMEs contribute 60 per cent to the global growth.

At over 7 per cent, India remains the fastest-growing large economy in the world, according to the IMF.

As growth slows down and the fiscal space gets squeezed, monetary policy is going to be the focus of both EMEs and advanced economies as the first line of defence, he said. "Therefore, central banks may once again be expected to assume the mantle of guardians of the world economy."

Das also called for greater cooperation among EMEs. "In this high flux and uncertain environment, EMEs could perhaps be better off by stepping up cooperation on all fronts, while recognising multi-polarity. One area of cooperation could be to put in place an institutional mechanism which balances the concerns of both oil exporting and importing countries to ensure stability in energy prices."

He emphasised the importance of interacting closely with financial markets for transmission of monetary policy impulses, which required a sound and efficient payment and settlement system. On the impact of rising oil prices on inflation, he said they played a significant role in the current account deficit, and over a period of time inflationary impact was felt. "But the inflationary impact of oil prices sometimes is exaggerated."

### **3. India's 2nd largest lender Bank of Baroda to evaluate board performance**

By: [PTI](#)

Bank of Baroda, which has become the country's second largest bank by merging Vijaya Bank and Dena Bank with itself, will undertake evaluation of its board and has invited bids from consultancy firms by early-May. Bank of Baroda (BoB) seeks to appoint an advisory firm for 'Review of Board Evaluation', the public sector bank said in a request for proposal (RFP) document.

"Bank of Baroda has decided to engage a consultancy firm to conduct an independent review of the overall evaluation and effectiveness of the bank's board. The review would provide an opportunity to align and prioritise the board's focus on critical issues," the RFP said. BoB said the outcome of the review would also help it enhance the board's overall effectiveness through improved dynamics and strengthened processes.

Enlisting the tasks for the consultancy firm, the lender said it will have to conduct in-depth interviews with individual board members through in-person meetings, analyse findings and share preliminary feedback with select members of the board and to conduct a board alignment workshop.

The firm will also be tasked to define the 'Board Vision' as an outcome of the board alignment workshop, agree on the 'Action Plan for the Board' as well as evaluation of independent directors. The selected firm will have to complete the assignment within 6-8 weeks. Last date of submission of RFP response is May 2. There is a guidance note on board evaluation for listed companies by market regulator Sebi in India.

According to the Sebi note, the broad contours are intended for evaluation of the performance of the board, evaluation of the board as a whole, individual directors (including independent directors and chairperson) and various committees of the board. The provisions also specify responsibilities of various persons and committees for conduct of such evaluation and certain disclosure requirements as a part of the listed entity's corporate governance obligations, according to Sebi.

The concept of Board evaluation in India is at a nascent stage. Sebi has studied the practices of board evaluation prevalent among listed entities in India. An analysis has also been done of the global practices in various jurisdictions such as regulatory requirements, best practices, internal versus external evaluation, and disclosure requirements.

#### **Economic Times**

### **4. Bank of Baroda expects to complete integration of Dena Bank, Vijaya Bank in two years**

Information technology platform integration alone will take about 12 months and other processes and systems may take another year or so, the official said

PTI

State-owned Bank of Baroda is likely to complete the process of merger of Dena Bank and Vijaya Bank with it in two years, said a senior official of BoB. The merger of Dena Bank and Vijaya Bank with BoB became effective from April

Information technology platform integration alone will take about 12 months and other processes and systems may take another year or so, the official said.

The process has been designed to ensure that there is minimum disruption of the customers during the transition period, the official said adding that the branding of the three entities will be retained in the interim period and will be transitioned to the new brand in a phased manner to ensure minimum disruption to existing operations.

As far as capital is concerned, the official said, the government has infused Rs 5,042 crore in the bank taking care of additional expenses and maintaining minimum regulatory capital requirement.

There would be pressure on the balance sheet of the bank during the first quarter when the maximum impact of the merger will play out and, subsequently, the impact will moderate, the official added.

The maiden three-way amalgamation is the first step in the consolidation of the public sector banking industry recommended in 1991 by the Narasimham Committee report. Through this merger, the government has created an institution of global scale and size, thereby providing significant benefit to all stakeholders.

The consolidated entity started the operation with a business mix of over Rs 15 lakh crore on the balance sheet, with deposits and advances of Rs 8.75 lakh crore and Rs 6.25 lakh crore, respectively.

BoB, the second-largest public sector lender after State Bank of India, now has over 9,500 branches, 13,400 ATMs, and 85,000 employees to serve 12 crore customers.

The announcement of the three-way merger was among several reforms initiatives undertaken by Financial Services Secretary Rajiv Kumar to make public sector banks (PSBs) healthy, robust and globally competitive.

As part of the reform process, the government had also announced transfer of majority 51 per cent stake to Life Insurance Corporation in IDBI Bank in August last year to transform the Mumbai-based lender.

Besides, the Department of Financial Services made a record capital infusion of Rs 1.06 lakh crore in the PSBs in 2018-19. As a result, five PSBs, including Bank of India, Corporation Bank and Allahabad Bank, were out of the prompt corrective action framework of the RBI earlier this year. Non-performing assets showed a negative trend in 2018-19 and reduced by Rs 23,860 crore between April 2018 and September 2018.

Following the merger, the number of PSBs has come down to 18.

## **Business Line**

### **5. Lenders having vested interest in debtor shouldn't be part of creditors' panel: NCLT**

K Ram Kumar

In a judgement of far-reaching implication in the insolvency and resolution process, the National Company Law Tribunal's (NCLT) Chennai Bench has

held that a party having a vested interest /relation with a corporate debtor should not be a part of the Committee of Creditors (CoC).

On an application moved by the Asset Reconstruction Company (India) Ltd (Arcil) in a case relating to commercial realty firm Anandram Developers Pvt Ltd, a corporate debtor, the NCLT reasoned that the decisions of the CoC must remain independent.

It observed that the CoC's decisions will impact the debtor's survival or liquidation, and the debt realisation of all the creditors. Therefore, the institution of CoC needs to be completely independent and free from any kind of influence — either of the promoters or their close relatives who may have stakes, it said.

The Tribunal held that the second respondent, Anandcine Services Pvt Ltd, is a 'related party', which shall have no right of representation, participation or voting in CoC meetings. The first respondent in the case is the Insolvency Resolution Profession (IRP).

Arcil submitted to the Tribunal that it has to recovery total sum of ₹120 crore which had been determined by the orders of Debts Recovery Tribunal (DRT), Chennai, and Recovery Certificate has been issued. It alleged that the IRP did not admit the entire claim in a bid to ensure that Arcil does not get the required voting percentage; and that he went by the amount said to be reflected in the corporate debtor's books, and failed to recognise the recovery certificate issued by the Debts Recovery Tribunal after adjudication of the debt. Further, it claimed that 55 per cent of the shareholders of Anandcine are relatives of the promoters of Anandram, or shareholders with more than 81 per cent stake in the debtor.

Anandcine had written a letter in August, 2018, annexing a legal opinion to substantiate that it was not a 'related party' to the debtor. The IRP claimed he had taken an independent view to that extent and had declared Anandcine was not a 'related party'.

The NCLT noted that the two loan agreements between Anandcine and Anandram, signed in April 2015 (₹200 crore) and September 2017 (₹200 crore), are not substantiated with the books of accounts of the latter.

The IRP has to conduct a forensic audit to examine the "fraudulent and avoidance transactions" over the claims of the creditors including Anandcine, it said.

The Tribunal, however, made it clear that Anandcine's claim shall remain subject to the outcome of the forensic audit. Consequently, it directed the IRP to delete the name of Anandcine from the list of CoC members with immediate effect.

With kind regards,

Yours Comradely,



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