



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

22nd April , 2019

News of Interest 22nd APR

QUOTE OF THE DAY

“ATTITUDE IS A LITTLE THING THAT MAKES A BIG DIFFERENCE.”

WINSTON CHURCHILL

HIGHLIGHTS

1. DEPOSITS IN JAN DHAN ACCOUNTS FAST INCHING TOWARDS RS 1-TRILLION MARK
2. GOVERNMENT OR STATE BANKS - WHO IS TO BLAME FOR INDIA'S SLOWDOWN?
3. HDFC BANK Q4 PROFIT UP 23% AT RS 5,885 CRORE – A REPORT CARD
4. BANKING SYSTEM FACES RS 70,000 CRORE LIQUIDITY DEFICIT
5. JET'S GROSS DEBT LIKELY TO ADD UP TO ₹11,261 CR

Business Standard

1. Deposits in Jan Dhan accounts fast inching towards Rs 1-trillion mark

The Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched on August 28, 2014 with an aim to provide universal access to banking facilities to all households

Press Trust of India

The total deposits in bank accounts opened under the Jan Dhan scheme, which was launched about five years ago by the Modi-government, are set to cross Rs 1 trillion soon.

The total balance in the Jan Dhan accounts, which has been steadily rising, was at Rs 97,665.66 crore as on April 3, as per the latest government data.

The total number of Jan Dhan accounts have crossed 35.39 crore.

The deposits stood at Rs 96,107.35 crore on March 27 and Rs 95,382.14 crore in the week before.

More than 27.89 crore account holders have been issued the RuPay debit cards.

The Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched on August 28, 2014 with an aim to provide universal access to banking facilities to all households.

Enthused by the success of the scheme, the government enhanced the accident insurance cover to Rs 2 lakh from Rs 1 lakh for new accounts opened after August 28, 2018.

The overdraft limit was also doubled to Rs 10,000.

The government also shifted the focus on accounts from 'every household' to 'every unbanked adult'.

Over 50 per cent of the Jan Dhan account holders are women, while nearly 59 per cent accounts are in rural and semi-urban areas.

The objective of PMJDY is to ensure access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to weaker sections and low income groups.

The PMJDY also envisages channeling all government benefits to the beneficiary accounts and pushing the Direct Benefit Transfer (DBT) scheme of the central government.

2. Government or state banks - who is to blame for India's slowdown?

After elections, the next government should not dodge the need for more radical reforms

Neelkanth Mishra

India, the world's fastest growing large economy, is slowing: There has been a visible deceleration in activity in the past six months. It started with slowing sales of autos and some durable goods and has spread from there. Airline traffic growth is down; companies are now saying sales of consumer staples such as soaps and detergents have begun to weaken, too. Even as the hunt for reasons for the slowdown begins, the main culprit appears to be a familiar one: the still largely government-owned financial system.

The issue is that there isn't enough money in the economy. For much of the past two years, distributors and retailers of consumer products have been warning of a growing lack of liquidity. At first, policymakers largely dismissed their concerns. The government's late 2016 decision to withdraw most currency from circulation temporarily, and the introduction the following year of a nationwide goods-and-services tax, made it hard to decipher signals on economic momentum. Plus, liquidity,

as the central bank measures it, generally looked stable: Banks were still parking funds with the Reserve Bank of India overnight.

Now that the GST is more than a year old and the effects of demonetization have faded, the growth numbers are less distorted by base effects and the slowdown is becoming more obvious. So is the lack of liquidity: For the past two years, growth in money supply, as measured by M3, has lagged GDP growth; the M3-to-GDP ratio has declined sharply from 85 per cent to below 80 per cent. Though aggressive purchases of government bonds by the RBI have caused base money or M0 (much of which is currency in circulation) to grow at 16 per cent in recent months, it is still about 1 percentage point of GDP lower than its level before demonetization.

Obviously, the engine that converts the 28 trillion rupees of base money (M0) to the 154 trillion rupees available as broad money (M3) is malfunctioning. The bottleneck is in the financial system. Money gets created when loans are given and, even though bank credit growth has accelerated in the past few months, aggregate credit growth is still far too weak.

A reluctance to privatize the financial system is to blame. State banks continue to dominate the sector, controlling some two-thirds of banking assets. They also accounted for nearly 90 per cent of the non-performing assets from the last lending boom. While all sides of the political spectrum acknowledge the need for reform, governments have shied away from selling off state lenders outright, preferring to reform the sector by stealth. The hope has been to slow the growth of state-owned banks and allow privately owned rivals to gain market share. In another 15 or 20 years, the theory goes, the sector would effectively have been privatized. A similar strategy worked for the telecom and airlines sector, after all.

The problem is that state banks continue to have a very large role in the economy. As they slow, they drag down the economy, too; private-sector banks simply can't grow fast enough to make up the difference. For a time, non-banking finance companies could help: Shadow banks were responsible for nearly a third of incremental loans in the system over the past three years. But, since September last year, when a funding crunch forced them to focus on survival, credit growth in the system has slowed.

After elections, the next government should not dodge the need for more radical reforms. If state-owned banks are asked to start growing again, the risk of future bad loans goes up. On the other hand, if nothing changes, the economy will remain sluggish. While both major political parties have talked of consolidating state lenders into about half a dozen larger banks that should be easier to administer, more ambitious reforms will almost certainly be necessary -- at the very least, to remove them from the government's direct control.

Other factors may also be contributing to the current slowdown in demand. The raises for government workers mandated by the last pay commission have started to dwindle in their impact, for instance. And, the central bank's Monetary Policy Committee could certainly help matters by cutting rates faster, especially since the RBI's own inflation forecasts for the next 12 months are lower than its 4 per cent target. Lower rates can help bring down bond yields and provide some stability to the non-banking side of the financial system.

But rate cuts are no panacea. If the economy is to start growing again, the government may have to take an ax to state banks, not a scalpel.

Financial Express

3. HDFC Bank Q4 profit up 23% at Rs 5,885 crore – A report card

By: FE Bureau

HDFC Bank on Saturday reported a 23% year-on-year (y-o-y) growth in its net profit for the quarter ended March 31 to Rs 5,885 crore on the back of a 22% y-o-y rise in total income.

The bank's net interest income (NII), or the difference between interest earned and interest expended, rose 23% y-o-y to Rs 13,089.5 crore. Non-interest income grew 15% to Rs 4,871 crore.

Core net interest margin (NIM) rose to 4.4% in Q4 from 4.3% at the end of December.

The bank's provisions rose 23% y-o-y to Rs 1,889 crore.

Asset quality showed a marginal improvement, with the gross non-performing asset (NPA) ratio falling two basis points (bps) sequentially to 1.36% and the net NPA ratio reducing 3 bps to 0.39%.

Total advances grew 24.5% y-o-y to Rs 8.19 lakh crore at the end of March. Retail loans constituted 54% of the loan book, while 46% came from wholesale loans.

Total deposits as on March 31 were Rs 9.23 lakh crore, an increase of 17% over March 31, 2018. Current account savings account (CASA) deposits grew 14% y-o-y, with SA deposits at Rs 2.49 lakh crore and CA deposits at Rs 1.42 lakh crore.

Time deposits stood at Rs 5.32 lakh crore, an increase of 19.4% over the previous year, resulting in CASA deposits comprising 42.4% of total deposits as on March 31.

HDFC Bank's total capital adequacy ratio (CAR) as per Basel III guidelines was at 17.1% as on March 31, 2019, up from 14.8% on March 31, 2018 and as against a regulatory requirement of 11.025%. The CAR includes capital conservation buffer (CCB) of 1.875% and an additional requirement of 0.15% on account of the bank being identified as a domestic systemically important bank (D-SIB). Tier 1 CAR was at 15.8% as of March 31, 2019, compared with 13.2% as of March 31, 2018. Common equity Tier 1 (CET 1) ratio was at 14.9% as of March 31, 2019. Risk-weighted assets were at Rs 9.32 lakh crore, up 16.5% from Rs eight lakh crore on March 31, 2018.

Separately, HDFC Bank announced the termination of its global depository receipts (GDR) programme. "We wish to inform you that, in view of the minimal number of GDRs outstanding and the low trading volume of the GDRs, the Board of Directors of the Bank has, in its meeting held on April 20, 2019, considered and approved the proposal for termination of the GDR program and delisting of 22 GDRs (representing 11 underlying equity shares of the Bank cumulatively), which are outstanding and listed on the Luxembourg Stock Exchange (LSE), subject to compliance with applicable laws," the lender told the exchanges.

Economic Times

4. Banking system faces Rs 70,000 crore liquidity deficit

The deficit is at Rs 70,266 crore on April 16 compared to Rs 31,396 crore on April 3.

By Saikat Das

Muted government spending and high election-related spending have created a liquidity deficit of Rs 70,000 crore in the banking system, stymieing the Reserve Bank of India's record liquidity infusion via bond purchases and the innovative dollar-rupee swap, blunting the recent rate cut and clogging the efficacy of policy transmission.

"System liquidity seems to be slightly more in deficit that is normal at this time of the year," said Saugata Bhattacharya, chief economist at Axis Bank. "The proximate reason seems to be relatively high government balances with RBI, which might be due to lower spends. Other contributing factors might be higher cash withdrawal, weaker foreign exchange inflows and higher CRR (cash reserve ratio) balances of banks," he said.

The deficit is at Rs 70,266 crore on April 16 compared to Rs 31,396 crore on April 3, data from the Bloomberg India Banking Liquidity gauge showed.

During the same period, the system was running in surplus cash in the range of Rs 33,400 and Rs 84,600 crore although New Delhi's currency swap programme (DeMon) increased cash in the banking system around that period.

"Extended deficit liquidity could become detrimental to smoother monetary policy transmission," said Upasna Bhardwaj, senior economist at Kotak Mahindra Bank. "One of the primary reasons for tighter liquidity conditions in April has been the unexpected muted spending by the government."

The surplus cash balance with the government is now at about Rs 47,333 crore as on April 16 compared to nil balance in the corresponding period last year.

"GST collections towards the end of the week are expected to have further increased the cash balance and worsened liquidity deficit given the absence of aggressive spending," she said.

The liquidity deficit may cross Rs 1 lakh crore by the end of last week in April, experts said.

While RBI has injected Rs 2.98 lakh crore in liquidity into the banking system in 2018-19, it also conducted a dollar swap auction for \$5 billion or Rs 34,500 crore in March. Similar dollar auction will also be carried out on Tuesday to infuse similar quantum.

"RBI might have to infuse liquidity through term repo for the time being," said Soumyajit Niyogi, associate director, India Ratings. "Post elections, the scenario is likely to change with the spending spree ebbing and possible reduction in cash in circulation."

Factors like ongoing weekly high central and state government bond auctions too added to the deficit problem, Niyogi said. On an average the central bank has sold about Rs 20,000-30,000 crore state and central government debt in the first two weeks in April.

Liquidity conditions, however, should improve in the coming days amidst the FX swap and a pick-up in government spending.

Business Line.

5. Jet's gross debt likely to add up to ₹11,261 cr

Domestic lenders worst hit; board to meet on April 23 to discuss future plans

Jet Airways' gross loan and unpaid interest towards its domestic and international lenders may amount to ₹11,261 crore, documents reviewed by *Business Line* suggest.

This includes ₹7,251 crore from nine domestic lenders, another ₹4,000 crore of foreign borrowing and unpaid interest amount of ₹1,000 crore.

The Jet board is scheduled to meet on Tuesday to discuss the way forward for the airline.

The grounded airline had borrowed from public sector banks including State Bank of India (SBI) and Punjab National Bank (PNB) along with private banks such as YES Bank and IDBI Bank.

Of this, SBI has the maximum exposure of 27 per cent, followed by PNB at 24 per cent, YES Bank at 12 per cent and IDBI Bank at 10.4 per cent.

About 57 per cent of the debt from domestic lenders is for working capital and the balance is in the form of term loans.

The beleaguered airline owes another ₹4,000 crore to foreign lenders, non-convertible debentures holders and by way of interest outstanding.

It had also raised funds through external commercial borrowing.

Dubai-based Mashreq Bank has an exposure of ₹1,400 crore, along with HSBC Bank at ₹910 crore. There are non-convertible debentures worth ₹700 crore and interest of ₹1,000 crore over these borrowings. Jet had defaulted on payment of interests and loans earlier this year and in December 2018, and was thrice downgraded by credit rating agency ICRA during that time.

Haircut possible

Meanwhile, airline industry experts said that though SBI is in the midst of leading the bidding process for a new investor to take over Jet, the lenders are staring at a huge haircut, possibly as much as 80 per cent.

SBI has short-listed four bidders: the state-run National Investment and Infrastructure Fund, Abu Dhabi-based Etihad Airways, and private equity firms Indigo Partners and TPG. Earlier, Etihad, which has a 24 per cent stake in Jet, had valued the stake at ₹150 per share. But with the airline temporarily shutting shop, this valuation could get impacted.

Government intervention

On Saturday, Jet's CEO Vinay Dube, CFO Amit Agarwal and employee representatives met Finance Minister Arun Jaitley and sought urgent government intervention. Another letter was written to President Ram Nath Kovind as well. Sources said Jaitley had promised to look into the matter.

"We requested him to ask the banks to at least release one month's salaries so that employees do not quit the company, and remain confident that it is going to stay

afloat. The Minister said that he will request the SBI chief to look into the matter," said a representative of the Jet pilot body.

With kind regards,

Yours Comradely,

A handwritten signature in blue ink, appearing to read 'N. Govindrajulu', with a long, sweeping flourish extending to the right.

(**N. GOVINDRAJULU**)
GENERAL SECRETARY