



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

163/4, Kutcheri Road, Mylapore, Chennai - 600004

E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. B.B. Yadav Vice Chairman Sangli M: 098811 91110	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
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Dear Comrades,

13th May , 2019

News of Interest 13th MAY

QUOTE OF THE DAY

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

WINSTON CHURCHILL

HIGHLIGHTS

1. SBI POSTS NET PROFIT OF RS 838 CRORE IN Q4 ON HIGHER INTEREST INCOME
2. RBI PROPOSES MOBILE APP TO HELP VISUALLY IMPAIRED TO IDENTIFY CURRENCY NOTES
3. ACCELERATING ECONOMIC GROWTH, DISPOSABLE INCOMES KEY TO BANKS' DEPOSIT MOBILIZATION
4. IMMINENT CRISIS IN NBFC SECTOR: CORPORATE AFFAIRS SECRETARY
5. IDFC FIRST BANK POSTS NET LOSS OF ₹218 CR IN Q4 FY19

BUSINESS STANDARD

1. SBI posts net profit of Rs 838 crore in Q4 on higher interest income

Won't let go of quality corporate credit, says Rajnish Kumar

Abhijit Lele

Depicting a sturdy financial profile, the country's largest bank — the State Bank of India — posted a net profit of Rs 838 crore in the fourth quarter of 2019 (Q4FY19) on higher interest income and sharp drop in provisions for bad loans.

SBI had posted a loss of Rs 7,718 crore in the fourth quarter of FY18.

While the bank came back into profit in Q4 of FY19, sequentially, its net profit fell to Rs 838 crore from Rs 3,955 crore in Q3 FY19.

Net interest income grew by 15 per cent to Rs 22,954 crore in Q4 FY19. The domestic net interest margin (NIM) also improved by 20 basis points to 3.02 per cent. The non-interest income, comprising fees, commissions and sale of investments showed a mere 1.5 per cent growth at Rs 12,685 crore. For FY19, the bank posted a net profit of Rs 862 crore against a loss of Rs 6,547 crore in FY18.

SBI Chairman Rajnish Kumar had said, "FY19 will be the year of hope. We have lived on that expectation and delivered excellent performance on all parameters. The turnaround has happened."

Its asset quality profile improved substantially with gross non-performing assets declining to 7.53 per cent in March 2019 from 10.91 per cent in March 2018. Provision coverage ratio for bad loans increased substantially to 78.73 per cent in March 2019 from 66.17 per cent in the previous year. This covers the amounts set aside for written-off loans.

The improvement in asset quality is quite visible. Gross [NPAs](#) and net [NPAs](#) are substantially down. The provision coverage ratio is about 79 per cent in March 2019. This shows that balance sheet of the bank has been fully repaired, SBI's chairman said.

It is treating loans to jet as [NPAs](#) and has made provisions for them.

"Going forward, the impact of the shadow of the past will not be on the earnings of the bank. The costs, including for human resource, are under control. This is a broad picture where we are very close to the 'state of equilibrium' where the growth (credit) should be around 12 per cent in FY20. The credit costs for fresh slippages will remain below one per cent," he said.

"As for return on assets (RoAs), we have set a target of one per cent for March 2021. But I am optimistic that we would be able to advance it to FY20. We have set the vision, are on course and there is no looking back hereafter," he added.

About the bank's strategy on lending, he said the loan book of SBI and that of any other bank are not comparable. The retail segment, comprising personal and household, agriculture and SMEs, has 58 per cent share in total loans while corporate loans account for 42 per cent. Since NBFCs are facing challenges, there is huge opportunity in retail for the bank.

Total advances rose by 12 per cent to Rs 22.93 trillion at the end of March 2019. Of this, domestic retail (household and personal credit) book rose by 18.5 per cent to Rs 6.47 trillion.

The corporate loan book grew by 15 per cent to Rs 8.51 trillion. For many, the bank's appetite for corporate credit is limited. This will also create an opportunity for SBI.

"We have never been in a sweet spot like this so far as competition is concerned. We have everything with us today – the capability to underwrite and monitor loans, have capital, funding and liquidity," he added.

There will not be much of a change in the portfolio mix (retail and corporate) of the bank. So far as corporate credit is concerned, risk weighted assets have not grown significantly.

There will be growth in the corporate loan book but focus will be on quality. "We will not miss an opportunity to expand because we have the ability to grow and manage risk," Kumar added.

The bank's deposits grew 7.6 per cent to Rs 29.11 trillion and share of the current and savings deposits rose by just six basis points to 45.74 per cent.

Capital adequacy ratio stood at 12.72 per cent out of which common equity tier I was 9.62 per cent.

Financial Express

2. RBI proposes mobile app to help visually impaired to identify currency notes

By: [PTI](#)

At present, banknotes in the denominations of Rs 10, 20, 50, 100, 200, 500 and 2,000 are in circulation, besides Re 1 note issued by the Government of India.

The Reserve Bank of India proposes to come out with a mobile application to aid visually impaired persons in identifying Indian currency notes. At present, banknotes in the denominations of Rs 10, 20, 50, 100, 200, 500 and 2,000 are in circulation, besides Re 1 note issued by the Government of India. Intaglio printing based identification marks for helping the visually challenged in identification of denomination of banknotes are present in notes of Rs 100 and above. The RBI has solicited bids from technology firms for developing the mobile application.

"The application should be able to identify denomination of legal tender banknotes of Mahatma Gandhi Series and Mahatma Gandhi (New) series by capturing the image of the notes placed in front of mobile camera or scrolled across it," said the request for proposal issued by the central bank. Also, the mobile application should be searchable via voice option in all app stores, it said.

“The mobile application should be able to identify the bank note denomination in 2 seconds or less,” the RBI said, and added that the app should also work in offline mode without internet connection. Further, the mobile application shall provide multi-lingual support as well as audio notifications. The application is expected to support Hindi and English language as a minimum, it said.

Cash constitutes the most important means of transaction in the country. As on March 31, 2018, there were about 102 billion pieces of banknotes in circulation having a value of Rs 18 lakh crore. There are about 80 lakhs blind or visually impaired people in the country, who are likely to benefit from the initiative of the central bank. In June, 2018 the central bank had declared that it would explore the feasibility of developing a suitable device or mechanism for aiding the visually impaired in the identification of Indian banknotes.

3. Accelerating economic growth, disposable incomes key to banks’ deposit mobilization

By: [PTI](#)

The slowdown in bank deposit growth in the recent period alongside a revival of credit demand raised concerns about a structural liquidity gap in the system, possibly amplified by substitution effects of small savings and mutual funds on bank deposits in the aftermath of demonetisation, as per an article published in the latest monthly bulletin of the RBI.

Accelerating the rate of growth of the economy and disposable incomes holds the key to higher deposit mobilization by the banking system, says an RBI paper. The slowdown in bank deposit growth in the recent period alongside a revival of credit demand raised concerns about a structural liquidity gap in the system, possibly amplified by substitution effects of small savings and mutual funds on bank deposits in the aftermath of demonetisation, as per an article published in the latest monthly bulletin of the RBI.

To address the issue of structural liquidity gap, the Reserve Bank of India (RBI) in recent months took several initiatives including Open Market Operations and dollar rupee swap auction. The article highlighted that the widening wedge between credit and deposit growth is triggering concerns about a structural liquidity gap in the system, which can throw sand in the wheels of the financial intermediation process through which deposits are converted into productive investments by way of lending, thereby greasing the wheels of the economy.

“Outstanding deposits of scheduled commercial banks (SCBs) at Rs 1,25,726 billion as on March 31, 2019 accounted for 128.7 per cent of outstanding bank credit (lower than 132.5 per cent a year ago), reflecting the tightening of financial conditions on account of low deposit growth,” it said.

Noting that the bank deposits remain an important part of the financial savings of households and key to the financing of bank lending, it said deposit growth is

picking up in recent months in a cyclical upturn since December 2018, which is overwhelming a trend slowdown that has been underway since October 2009.

"The latter warrants policy consideration since deposit mobilizations is fundamental to India's bank based system of financial intermediation. Empirical evidence puts forward several interesting facts about the behaviour of bank deposits," it said.

First, it underscores the income as its most important determinant, both in the short-and in the long-run, it said. It further noted that interest rate matters for deposit mobilization but only at the margin and financial inclusion has a boosting effect on deposit mobilization over the long-run suggesting expansion of bank branches in unbanked areas.

Besides, substitution effects associated with Sensex returns for deposit growth are limited to the short-run, warranting a careful appraisal of regulatory reforms and tax arbitrage, even as efforts need to be intensified to make both more market determined. "In the final analysis, therefore, accelerating the rate of growth of the economy and disposable incomes holds the key to higher deposit mobilization by the banking system," it said. The RBI in a disclaimer said that views are of authors and do not represents the views of the central bank.

Economic Times

4. Imminent crisis in NBFC sector: Corporate Affairs Secretary

Misadventures by large entities and credit squeeze make for a perfect recipe for disaster, Srinivas said

PTI

There is an "imminent crisis" in the non-banking financial companies (NBFCs) sector as misadventures by some large entities and credit squeeze present a perfect recipe for disaster, a senior government official has said.

In recent months, the country's financial system has been grappling with multiple woes in the wake of the turmoil at diversified IL&FS group as well as debt defaults by some other large entities.

In an interview to PTI, Corporate Affairs Secretary Injeti Srinivas said the NBFC sector is facing issues of credit squeeze, over-leveraging and misadventures by some large entities.

"There is an imminent crisis in the NBFC sector. There is a credit squeeze, over-leveraging, excessive concentration, massive mismatch between assets and liabilities, coupled with some misadventures by some very large entities, which is a perfect recipe for disaster," Srinivas said.

However, he added that "responsible" companies are managing the risk well and are not facing such a dire situation.

Srinivas also said corporate governance in India is being put to test.

"It is a defining moment. The way things are moving, in the medium to long term it will be for the good. In the short term, there can be turbulence," he said.

"If you are responsible, you manage the risks. There are many companies in the country that have strong corporate governance. They take risks but manage them as well. So, they don't face such dire situation that some others are facing today," Srinivas said.

Amid instances of the situation of non-performing assets (NPAs) being linked to external factors, Srinivas noted that it would not be a convincing explanation.

"To say that the situation (NPA) can be attributed entirely to external factors and business risks is not a convincing answer because there is something known as responsible behaviour," he emphasized.

Earlier this month, former Prime Minister Manmohan Singh said the banking sector is "under severe stress" and the way out of "this mess" is to reverse some "gross distortions", work closely with the RBI, re-start the process of credit delivery and ensure sufficient liquidity and cash in circulation.

The NPA "scare" has brought lending to a virtual halt, the former prime minister had said, adding that a "one-size-fits-all approach" drove companies into insolvency while demonetisation shut out all sources of informal credit.

However, Finance Minister Arun Jaitley had dismissed the concerns, saying, "When an economist turns into a politician, he loses sense of both economy and politics".

"Dr Manmohan Singh left behind in 2014 an economic slowdown, policy paralysis and corruption. He brought down his party to lowest ever strength in Parliament. India was a part of the fragile five. Today he regards the world's the fastest growing major economy as disastrous," Jaitley had said.

Business Line

5. IDFC First Bank posts net loss of ₹218 cr in Q4 FY19

IDFC First Bank has posted a net loss of ₹218 crore for the fourth quarter of 2018-19 due to high provisioning. The lender had a net profit of ₹41.93 crore for the same period a year ago.

"The key reason for the loss is provisions of ₹419.46 crore made on three exposures of ₹2,794 crore that are performing satisfactorily on its books, however, as a prudent measure, they have been identified as watch-list accounts as two of these accounts pertain to financial services firms that have been downgraded by rating companies recently," it said in a late night release on Friday, adding that the bank does not have any exposure to IL&FS or Jet Airways.

For the full financial year 2018-19, IDFC First Bank posted a net loss of ₹1,944 crore as compared to a net profit of ₹859.3 crore. The bank said that this included accelerated goodwill amortization on merger of ₹2,599 crore and tax credits of ₹1,351 crore. "But for these exceptional items of goodwill amortization and one-time tax credits, the earnings before tax would have been a loss of ₹696 crore," it said.

IDFC First Bank was set up by the merger of Capital First and IDFC Bank in December 2018.

For the January to March 2019 quarter, the bank reported a net interest income of ₹1,113 crore, as against ₹453.24 crore a year-ago. The net interest margin for the reporting quarter was 3.03 per cent as compared to the NIM of 1.58 per cent for the quarter ended March 31, 2018 (pre-merger).

V Vaidyanathan, Managing Director and CEO, IDFC FIRST Bank, said, "The bank has already begun the transformation and growth journey and is focused on accelerating the build out of its retail liability franchise, growing the retail assets book, diversifying the balance sheet and improving margins."

The bank's gross non-performing assets was 2.43 per cent of gross advances as on March 31, 2019, as against 3.31 per cent a year-ago. The net NPA was marginally higher at 1.27 per cent as on March 31, 2019, as against 1.69 per cent a year ago.

The bank made a provision of ₹698.2 crore in the fourth quarter of 2018-19, up from ₹242.45 crore in the corresponding year-ago period.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY

