



AIBEA's *Banking News*

15 16 AUGUST, 2017

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

"Freedom is never
dear at any price
It is the breath of life.
What would a man
not pay for living?"

- Mahatma Gandhi



15th
OF AUGUST
INDEPENDENCE
DAY



**ALL INDIA BANK EMPLOYEES ASSOCIATION
ALL INDIA BANK OFFICERS ASSOCIATION**





WE, THE PEOPLE OF INDIA,

**having solemnly resolved to constitute India into a
SOVEREIGN, SOCIALIST, SECULAR,**

DEMOCRATIC REPUBLIC

and to secure to all its citizens:

- **JUSTICE**, social, economic and political;
- **LIBERTY** of thought, expression, belief, faith and worship;
- **EQUALITY** of status and of opportunity; & to promote among them all
- **FRATERNITY** assuring the dignity of the individual and the unity and integrity of the Nation;

LET US PLEDGE TO FIGHT TO ACHIEVE THESE GOALS

FRATERNAL INDEPENDENCE DAY GREETINGS
FROM
ALL PAKISTAN FEDERATION OF UNITED TRADE UNIONS

15th August, 2017

Dear Comrades,

On behalf of All Pakistan Federation of United Trade Unions (APFUTU), I wish your organisation and all the working people of India the very best on the occasion of the 70th Anniversary of Independence.

As we have the relations between our Trade Unions of India & APFUTU Pakistan, we cherish a progressive and inclusive world of work.

As you celebrate your 70th Anniversary of Independence, we look forward to a future with more links and more co-operation between the APFUTU and Indian Trade Unions. I wish the working people of your organisation and working class of India Jashan e Azaadi Mubarak!

Best Regards

Pirzada Imtiaz Syed
Secretary General

..... *United we bargain, Devided we will beg*

Rajya Sabha passes banking regulation bill

The measure allows the RBI to initiate insolvency resolution process on specific stressed assets

BY PTI | AUG 10, 2017

THE ECONOMIC TIMES

NEW DELHI: Parliament today passed a bill that will empower the RBI to deal with stressed assets in the banking sector which have soared to Rs 8 lakh crore.

The Banking Regulation (Amendment) Bill, 2017, which was passed by a voice vote in the Rajya Sabha, replaces an ordinance promulgated in May.

The Lok Sabha had passed it last week.

Replying to a debate on the bill, Finance Minister Arun Jaitley said that Non-Performing Assets (NPAs) in the public sector banks alone account for about Rs 6.41 lakh crore at end-March.

"It is true that the NPA figure is rising...It has nothing to do with my tenure except that after I took over, the interest (on loans) keeps rising. The interest did not stop on that day. These are all old loans," he said, answering the opposition criticism.

On the issue of wilful defaulters, Jaitley said there is no prohibition on either publishing their names or photographs.

"In fact all the wilful defaulters' names and photographs are published through advertisements," he said but added that normal commercial details are never published.

Some members wanted to know why the government itself was not taking action on NPAs, instead of giving the mandate to the RBI.

To this, Jaitley said the RBI is not merely a regulator in India. "If it were, you probably had a valid point".

The measure allows the RBI to initiate insolvency resolution process on specific stressed assets.

The RBI would also be empowered to issue other directions for resolution, appoint or approve for appointment, authorities or committees to advise the banking companies for stressed asset resolution.

Explaining the urgency to bring the new law, Jaitley said it was "already too late" as the capacity of the banks to lend to small creditors is being

impacted. "The capacity of banks to support growth is impacted," he said.

Due to this legislation, Jaitley said the banks will soon start "realising the money, assets will not be wasted, the companies will continue to function and the jobs that are there in the company will also be saved".

Jaitley also gave a detailed account of various sectors like steel, power, infrastructure and textiles, which have most NPAs.

Earlier, participating in the debate on the bill, Naresh Aggarwal (SP) said he was against jailing of people for economic offences under the law.

Talking about NPAs, he said power discoms have taken a lot of loan on government guarantee and then failed to return it, which is a big problem now.

He criticised the government for not acting swiftly against the people named in Panama paper and those who have been wilful bank defaulters.

N Gokulakrishnan (AIADMK) was of the view that during 2010 to 2016, free import of steel products resulted in adverse impact on the industry and sector fell in debt trap.

S S Roy (Trinamool Congress) lodged his dissent, saying that he was against the way the bill was being discussed and would be passed later on.

He asked the government to tell the House about number of criminal proceedings initiated against wilful defaulters.

Harivansh (JDU) supported the bill, saying this would help initiate insolvency and bankruptcy against wilful loan defaulters.

Tapen Kumar Sen (CPM) suggested that RBI should be taken out of the picture and banks should be empowered to invoke insolvency proceedings against defaulters.

He said that banks should be made directly responsible for dealing with the issue of NPAs and name of 50 defaulters which constitute 80 per cent of NPAs should be made public.

Sarojini Hembram (BJD), Veer Singh (BSP) and Narendendra Jadhav (nominated) also supported the bill saying that it should have been done earlier.

Banking Regulation (Amendment) Bill, 2017

CPI in Lok Sabha

“The main challenge our banks are facing today is the alarmingly increasing bad loans which become NPAs, 90 days after the borrower defaults on payment. Bad loans are today eating into the vitals and credibility of our banking system,” said **Communist Party of India leader C.N Jayadevan** while taking part in the discussion on the Banking Regulation (Amendment) Bill, 2017 in the Lok Sabha.

The Banking Regulation (Amendment) Bill, 2017 seeks to replace the Ordinance promulgated by the President on May 4, 2017 which gives RBI On Banking Regulation (Amendment) Bill, 2017 additional powers to direct banks to initiate recovery proceedings under the Insolvency and Bankruptcy Code, 2016.

C N Jayadevan said continuing his statement, “Over the last one decade, NPAs as a proportion of total loans extended by banks have increased from 2.3 percent in 2008 to 7.5 percent in 2016, that is Rs. 6.11 lakh crore or 4.5 percent of GDP. But everyone knows that the main share of burden of this danger is due to corporate defaulters who are taking our banks for a ride.”

The CPI leader pointed out, “Regrettably, the government is not taking any tough measures to recover these bad loans. On the other hand, all types of concessions are being doled out like interest waivers, one-time settlement, compromises, CDR, SDR, S4A provisions, haircuts, write offs etc. Banks are earning very good operating profits but are bleeding with net loss due to adjustment for bad loans (NPAs). It is reported that 95 per cent of the profits earned by the Banks are going towards provisions for bad loans of the corporate and big business.”

He said, “Subsequent to the promulgation of the Ordinance, the Finance Ministry authorized the RBI to issue directions to banks to initiate insolvency proceedings.

Accordingly, the RBI identified 12 major defaulters, each having an outstanding amount of over Rs.5,000 crore, accounting for 25 percent of the total NPAs of Public sector banks. It is reported that one of these companies has challenged RBI's directions."

Thanking the House, he concluded saying, "Dragging defaulters to the National Company Law Tribunal (NCLT) and initiating Insolvency proceedings will take a heavy toll on bank finances. According to rating agency CRISIL, banks will have to sacrifice nearly 60 percent of value of the loans extended to the 12 indebted companies they have referred to NCLT. So by initiating these measures, it seems that the government will have to write off a major part of the bad loans to clear the finances of the banks. It is nothing but an open loot of people's money."

On Banking Regulations (Amendment) Bill

RAJYA SABHA

SHRI D. RAJA (TAMIL NADU): 10-8-2018 in Rajya Sabha

Sir, as I understand, the purpose of this legislation is to empower the Government to authorise the Reserve Bank of India to issue directions to the banks for initiating proceedings in case of default in loan payment. These proceedings would be initiated under the Insolvency and Bankruptcy Code, 2016. Sir, a majority of the NPAs, that is, 88 per cent, is in the public sector banks, where the Central Government is the majority shareholder. I argue that the Government could have initiated recovery proceedings against defaulters without having authorised the RBI.

Now, the Government, in its wisdom, has decided to empower the RBI instead of directly acting against the defaulters.

Sir, the banks and banking network constitute the central nerve system of any economy. That is why when banks were nationalised in July, 1969, by the then Indira Gandhi Government, we all welcomed that move and we supported that move.

But now, there is a strong apprehension that the public sector banks are going to be weakened further and the Government's equity will be reduced and finally, these banks will be denationalised and handed over to private hands. The Finance Minister can explain this issue.

In this connection, I would like to suggest that the Finance Minister must take the employees into confidence because they are the real primary workforce in the banking sector and they know what is happening inside the banks and how credit policy is implemented.

When students take loans and don't repay the loans, they are penalised and there have been several suicide cases because of education loans to students. They cannot pay back the loans and the banks put out notices announcing their names and photographs.

But when it comes to corporate houses, big business houses, this is not done.

Sir, when Mr. Jaitley took over as the Finance Minister, the NPAs, in 2014, stood at Rs.2,16,739 crores.

But, as on 30th September, 2016, the NPAs were Rs.6,30,323 crores. It is growing. Now, the amount must be more.

In this connection, I would like to draw your attention to the fact that **All India Bank Employees Association**, which is the largest employees union in the banking sector, **has been demanding that the Government should publish the names of the defaulters.**

It has been asking the Government to take tough action to recover bad loans. **It has been demanding to declare the names of wilful defaulters and treat wilful default as a criminal offence. Why is the Government not doing so?**

Finally, Sir, why do people doubt political will and determination of the Government? The Government is not acting. Panama papers were referred to. Probe on Panama papers led to the removal of the Head of the Government in Pakistan, removal of the Head of the Government in Iceland, removal of the Ethics Committee Member of FIFA, removal of the Executive Board Member of ABN AMRO, but nothing is happening in India. That is where the Government should show some political determination and will to take action against wilful defaulters.

As Modi stands at a turning point, RBI can't help him any more. Here's what can

BY IANS | AUG 11, 2017 | By Amit Kapoor ECONOMIC TIMES

The RBI expectedly cut the repo rate last week by 25 basis points, bringing the key lending rate to a six-year low of 6 percent. This came in the backdrop of a steep fall in inflation and weak consumer demand across the country. However, even though the industry had long demanded the cut, it is unlikely to do much to revive investment activity across the country as the root cause for the problem does not lie in high interest rates.

The twin balance sheet problem of high corporate debts and rising non-performing assets (NPAs) with banks has been impeding fresh corporate investments. Both borrowing and lending activities have been affected due to this long-standing problem. As of March 2017, India's corporate debt-to-GDP ratio stood at 55 per cent of the GDP, which is one of the highest among the emerging economies. Moreover, a recent IMF report points out that nearly a fifth of the corporate debt is held by companies that are not making profit.

In such a scenario, firms will remain conservative and avoid borrowing more funds as long as their debts remain at unmanageable levels.

Another reason for corporates to avoid making fresh borrowings is their level of capacity utilisation -- the extent to which their productive capacity is being utilised. Fresh investments usually accrue when the capacity utilisation crosses the 80 percent mark. However, the level of capacity utilisation for Indian corporates is at historically low levels of 70-72 per cent. Thus, fresh borrowings either for capacity expansion or newer projects seem unlikely in the near future. This will limit the effectiveness of monetary policy pursued by the RBI as low borrowing costs will not entice them to borrow fresh funds.

Further, the high levels of corporate debts are saddling banks with a rising pile of NPAs on their books. This is making banks risk-averse as a result and, hence, warier of lending to corporates. Bank credit to the commercial sector has fallen below to 38 per cent in FY 2017, down from 50 percent a year ago. On the other hand, the bond market is booming with investment bankers arranging nearly Rs. 1.04 lakh crore (\$16 billion) in the April to June quarter of this year -- the highest ever volume in the first quarter. This behaviour points to the fact that Indian corporates are

tapping more into the corporate bond market and taking the external commercial borrowing route for their financial needs instead of relying on banks. Hence, transmission of interest rates will always be an issue.

Thus, under the given situation, monetary policy can only do so much to remedy the current economic scenario which is in doldrums. Both the savings rate and the investment rate in the country -- the two major drivers of growth -- have consistently fallen in the absence of strong domestic or global demand. The savings rate (ratio of gross saving to GDP) has fallen from 33.1 per cent in 2014-15 to 32.3 per cent in 2015-16 while the investment rate (ratio of gross capital investment to GDP) has declined to 27.9 per cent, from a peak of 37 per cent in 2007. As a result, the index of industrial production (IIP) has plummeted to 0.4 per cent in June of 2017 from a robust 7 per cent a year ago. Coal and cement production, which are the foremost indicators of industrial activity in the country, have contracted by 6.7 per cent and 5.8 per cent respectively in June.

Such a welter of worrying trends -- including reduced GDP growth, tepid exports and low credit growth -- make a strong case for the need to employ policy tools apart from monetary ones. Perhaps, it is time the government partly gives up the strict fiscal discipline that it has been following. It is necessary to question the extent to which fiscal restraint should be practiced. In times of low inflation and uncertain output gains, the nominal GDP is bound to fall. Maintaining low levels of fiscal deficit in such an economy can hardly be appreciated.

In fact, the government has enough fiscal space to loosen its purse strings. It can push the fiscal deficit target from 3.2 per cent of GDP to 3.5 per cent for 2017-18 without violating the provisions of the Fiscal Responsibility and Budget Management Act. Also, the tax revenues for the government has seen an upward trend of late. The central tax revenue has risen by 36.2 per cent and non-tax by 4.1 per cent in the first two months of this fiscal as compared to the same period last year.

However, while pursuing expansionary policies, fiscal authorities need to do more than just indulge in higher public expenditure. They should pursue institutional policies that can stimulate demand on a sustained basis.

Therefore, fiscal expenditure in sectors that can generate the maximum amount of jobs would be the most effective course of action. It just might be time for Modi's version of the New Deal!

NPA resolution to spur credit expansion, growth: Panagariya

PTI
NEW DELHI, AUGUST 13, 2017

The banking sector is saddled with NPAs of over Rs. 8 trillion (Rs.8 lakh crore), of which Rs. 6 trillion is with public sector banks (PSBs)

Resolution of bad loans in the banking system is on 'right track' and will 'open the door' to rapid credit expansion and growth, Niti Aayog Vice Chairman Arvind Panagariya has said.

Terming the non-performing assets (NPAs) or bad loans problem as a 'legacy issue', he said that even after three years of the NDA government taking charge, it has not gone away.

"Now we are on absolutely right track. Once we solve the NPAs issue, it will open up also the door to faster credit expansion. If this is done, this problem of twin balance sheet issue (over-leveraged companies and bad-loan-encumbered banks) will get addressed at the result of this.

"So banks will be better equipped to lend and on the sides of borrowers there will be greater appetite," Panagariya told PTI.

The banking sector is saddled with NPAs of over Rs. 8 trillion (Rs.8 lakh crore), of which Rs. 6 trillion is with public sector banks (PSBs).

As part of its strategy to rein in the unacceptable level of NPAs, Reserve Bank of India recently identified 12 accounts for Insolvency and Bankruptcy Code (IBC) proceedings with each of them having over Rs 5,000 crore of outstanding loans, accounting for 25 % of total NPAs of banks.

The 12 identified cases account for 25 % or about Rs. 2 lakh crore of NPAs.

When asked about his view on merger of a weak bank with a strong bank, the outgoing Vice Chairman of Niti Aayog said that consolidation of public sector banks (PSBs) is necessary, also because the pool of talented people who have the specialisation of running the banking business is limited one.

"So if you have 25 PSBs, then you spread it over too many banks and everybody who is an expert says, we do not have good management, and so consolidation will also bring good management to the banks.

"Then need for number of competent people...would be smaller if number of banks is smaller," he noted.

The finance ministry has sought help of NITI Aayog and global consultancy firms to examine the possibility of next round of consolidation of PSU banks with an aim to create a few lenders of global size and scale.

NITI Aayog's report is expected to set the tone for consolidation roadmap.

Five associate banks and Bharatiya Mahila Bank (BMB) became part of SBI on April 1, 2017, catapulting the country's largest lender to among the top 50 banks in the world.

Minister wants AI arm kept out of divestment process

Somesh Jha
NAGPUR ,AUGUST 13, 2017
THE HINDU

The maintenance unit should not go to some private player, says Gadkari

Air India Engineering Services Limited (AIESL), the maintenance, repair and overhaul (MRO) unit of Air India (AI), should be kept out of the disinvestment process of the national carrier, said Nitin Gadkari, Road Transport and Highways Minister.

"I want to urge the (Civil Aviation) Minister that the MRO, which is a subsidiary company, may be kept separately," said Mr. Gadkari. "If, tomorrow, we take some decision related to Air India, then this company should not go to some private player and [should] remain a separate entity," Mr. Gadkari said at AIESL's Nagpur facility which completed the first servicing of a third party aircraft on Sunday.

The facility completed servicing SpiceJet's Boeing 737 aircraft within five days. Civil Aviation Minister Ashok Gajapathi Raju, Air India chairman and managing director Ashwani Lohani, Maharashtra Chief Minister Devendra Fadnavis and SpiceJet chairman Ajay Singh were also present.

Mr. Gadkari, who is a part of a Group of Ministers (GoM) formed to decide the modalities of sale of AI and its subsidiaries, said AIESL was a profitable business and the government should invest in such companies.

In June, the Union Cabinet gave an in-principle nod for strategic disinvestment of AI and its subsidiaries and formed a GoM led by Finance Minister Arun Jaitley to draw the roadmap.

Mr. Gadkari said the initial share sale offer of Cochin Shipyard was subscribed 76 times on the last day of its bidding earlier this month showing "people still have faith in the public sector unit till date."

On Mr. Gadkari's comments, the Civil Aviation Minister said, "The discussions on Air India's stake sale is an ongoing process and his comments are welcome. I will not divulge my views on his comments in the press."

Loss-making entity

India's oldest private sector MRO service provider AirWorks had already expressed interest in acquiring a stake in AIESL. AIESL had been incurring losses since its inception in 2013 when it was carved out of AI as a separate business unit. In 2016-17, AIESL's losses rose about 17% to Rs.653 crore as per provisional estimates.

AIESL CEO H.R. Jagannathan urged the State authorities to take steps to help its Nagpur facility. This included facilitating a round-the-clock servicing of aircraft as the aircraft can be transferred from the Nagpur airport to the MRO unit only during the day at present.

Mr. Singh said that India needs to build its own MRO infrastructure so that airlines do not service their planes outside the country. "We will bring more planes for servicing and maintain our engines too in the Nagpur facility," he said.

China may be hurting its own banks by forcing them to drop risky assets

China's banking sector, the health of which is closely-watched globally, enters earnings season in August

Indicators such as net interest margin, non-interest income and non-performing loan ratio will demonstrate the impact of China's deleveraging effort on banks

Early signs showed strains could creep up among small- and mid-sized banks, but the "big five" were largely spared

[Yen Nee Lee](#) | 9 Aug, 2017 CNBC

As lenders in China release their financial report cards this month, investors can expect clearer signs on how well banks in the world's second-largest economy are holding up against a government-led clamp down on swelling debt.

The health of the Chinese banking sector is closely-watched as lenders hold more than 90 percent of total financial assets in the world's second-largest economy, according to Reuters. But the banks' abilities to control risks were brought into question when growing indebtedness led regulators to intervene on fears of instability breeding turmoil.

With the banks' earnings reports for first half 2017 scheduled to begin Friday, analysts said more attention will be paid to financial indicators that show the amount of risky assets the lenders hold and their exposure to the "shadow banking" sector.

Shadow banking is a broad category of banking-like services from non-traditional players; it can include loans from non-financial companies as well as investment products. It is outside the bounds of normal banking regulation, so it largely goes unregulated.

As for what experts are watching, Nomura analysts wrote that net interest margin and fees will be key. The former is a measure of how successful a bank's investment decisions are compared to its debt situation. The latter, grouped under non-interest income in a bank's balance sheet, is monies earned from the sale of financial products.

"Compared to bottom line growth ... we attach more importance to the [net interest margin] and fees trend, as well as banks' risk profile both on the balance sheet (receivables investment) and off the balance sheet (wealth management products)," the Nomura analysts wrote in a note this week.

"We see financial deleveraging to continue and banks still holding large exposure to such [riskier] assets either on or off the balance sheet to be under more pressure ahead," they added.

Such stress will be felt most by small and medium-sized banks, the profitability of which has been supported by funds raised through channels involving the shadow banking sector. Questions about those lenders' resilience are a test of strength for China's entire banking industry, noted Alice Guan, Phillip Securities' market specialist for Greater China.

A preliminary earnings report by mid-tier lender China Merchants Bank showed some signs of strains. Non-interest income slipped 11

percent in the second quarter after jumping 47 percent in the previous three months. That's likely a result of the government's crackdown on wealth management products.

Such products are commonly sold by banks to raise funds. Before Beijing got tough, the lack of regulation in the space resulted in banks investing those proceeds in risky and struggling industries, or in other similar products — growing contagion risks in the system.

China Merchants Bank's audited first half results are due on Aug. 19. Reports by its peers such as China Minsheng Bank will help to paint a fuller picture of the regulatory impact.

The country's big five banks, likely to report in the last week of August, are expected to be relatively unscathed by the stricter regulatory environment given their larger capital buffers and ability to handle risks. But the overall credit tightening could affect them down the road, with rising funding costs threatening profitability in what is turning out to be a tougher operating climate, Guan told CNBC.

The big five banks are Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China and Bank of Communications, which have assets among the largest in the world.

"Credit risk is still the main risk faced by commercial banks this year," Guan said. "Compared to the first six months, China's banking industry will face more challenges from the overall business environment. Economic growth is expected to slow down in the second half of the year, monetary and regulatory policies will be more stringent."

Not-so-bad early indicators?

Several indicators released in the past weeks appear to show that China's efforts to contain financial risks have made some progress.

The proportion of bad loans for all Chinese banks was 1.99 percent at the end of May, down 0.16 percentage points from the same period last year, Reuters reported. China's National Bureau of Statistics also reported that state-owned enterprises recorded profit growth of 24.3 percent in the first half of 2017, which should improve banks' asset quality and lending profitability, Deutsche Bank analysts wrote in a note.

On Monday, Moody's Investors Service said progress by the Chinese authorities to rein in credit growth and enhance oversight of shadow banking is encouraging. The ratings agency last month said it no longer

held a "negative" view on China's banking system as risks appeared to have eased.

Over the last two years, many Chinese banks have struggled to record even 1 percent growth in profits due to soaring bad debt and loan defaults. Now, the banks' fortunes, especially those of the big five, may improve in 2017, some analysts said.

"I think there's probably some upward bias to earnings this year. For the big banks at least, I think margins should improve, loan growth is better and provisions should come down," Matthew Phan, senior analyst at CreditSights, told CNBC.

Still, he added, he was concerned that "the asset quality recovery will be short and shallow."

"The property market looks like it could slow, and this will lead the entire economy down, leading to fresh concerns about bank [non-performing loans]. Though I think that's a 2018 question, not a 2017 question."

AIBEA THIS DAY – 15 AUGUST

1933	S P Bakshi, Founder President, All India OBC Employees' Federation (date of birth).
1946	Com. Ramesh Chakraborti, First General Secretary, AIBEA calls upon all Bank Unions in Calcutta for solidarity demonstrations in support of Imperial Bank.
1949	SBH Staff Association unfurls national flag within bank compound despite opposition by the management.

AIBEA THIS DAY – 16 AUGUST

1946	Bankmen in Calcutta observe protest strike against Baton (lathi) charge by police against striking Imperial Bank employees.
1977	Protest action and demonstrations on our demand for clinching 3 rd Bipartite Settlement.



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