AIBEA's Banking News

8, 9, 10 SEPTEMBER 2017

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Close down Department of Financial Services, says Raghuram Rajan

By PTI | 9th September 2017 | INDIAN EXPRESS

THE NEW INDIAN EXPRESS

Former RBI Governor Raghuram Rajan | AP

MUMBAI: Former Reserve Bank governor Raghuram Rajan today said governance reforms at state-run lenders will get complete only with the shuttering of the Department of Financial Services (DFS). DFS, which monitors state-run banks, has created "sameness" among them and governs them "without responsibility", he said.

Rajan also expressed displeasure at the working of the Banks Board Bureau (BBB), and pitched for having banks run by independent boards and not the finance ministry. "The time or indication that we have achieved that (reforms in state-run banks) will be the day we close down the department of financial services (DFS), whose job is to monitor these public sector banks," Rajan said at the launch of his book here this late evening. "The DFS tends to impose sameness on these banks, we should probably over time need to find ways to get out of," the former governor said. The BBB has "not so clearly distinguished in terms of distance from government and to some extent needs perhaps more work to strengthen its autonomy and independence", he said.

The BBB has become just another "cog in the wheel", he said. "So long as public sector banks are primarily governed without a board having the final ability to change management and so on, if they are governed by the ministry, then it is dual governance and often governance without responsibility," he said. "I think ultimately we need to put the responsibility on the boards, hold it to account, pay them for the job that they are doing, and ensure PSBs are governed," he said. Government can then exercise control "through its board members, but not through a separate governing structure outside the board," Rajan concluded.

Bank Boards Bureau Turned Into Another Cog In The Wheel, Says Rajan

8 9 17 BLOOMBERG/QUINT

It is essential for stakeholders like the regulator and the government to create a strong independent body which could ensure better governance of public sector banks, former Reserve Bank of India Governor Raghuram Rajan said.

Speaking at the launch of his book 'I Do What I Do' on Friday in Mumbai, Rajan talked about why the Bank Boards Bureau was set up and how it turned out to be another "cog in the wheel".

The initial purpose of creating the BBB was to pass on the process of selecting public sector bank heads through an independent and professional process, according to the former central banker. Yet, the finance ministry continues to select bank chiefs and the BBB has turned into a body that merely sends suggestions to the government.

"It is important that we have a strong independent body to make these selections to eliminate any chance of political interference," Rajan said.

The governance at bank boards and selection of their chiefs came into focus amid growing defaults and bad loans. The non-performing loans of Indian lenders have nearly doubled to Rs 8.3 lakh crore since the central bank, under Rajan, ordered an asset quality review in the second half of 2015

Cleaning up the banking system was the most important reform measure which was pending, the former central banker said. There is no other task more important for economic revival, he said.

'Duty Of People In Key Positions To Speak Up'

Rajan also said that officials like RBI governors will suffer a tremendous loss of reputation and lose public trust if they continue to do the government's bidding. It would be important for people in key positions to get up and say what they feel.

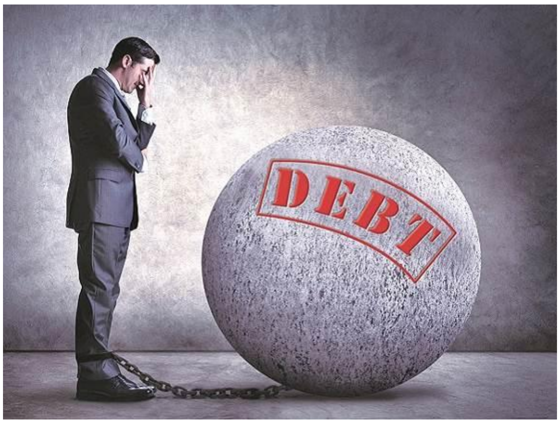
"It is your duty to speak up because you are the risk manager of the economy. Your judgement might be wrong and that is okay. But you must speak up to bring the economy to the right path," Rajan said.

For India to grow better, it would necessary to work on improving the life of the poor. Often, the poor are not able to participate in economic growth because they don't have the education or the health, he said. Malnutrition may even affect their mental capabilities, he said. "It would be necessary for the government to work on the healthcare and education of the poor, else all the economic reform would have been for nought."

Public sector banks choke on bad loan mess

Double whammy for banks as advances fall and low capital adequacy hampers growth

Krishna Kant | Mumbai t September 9, 2017 BUSINESS STANDARD

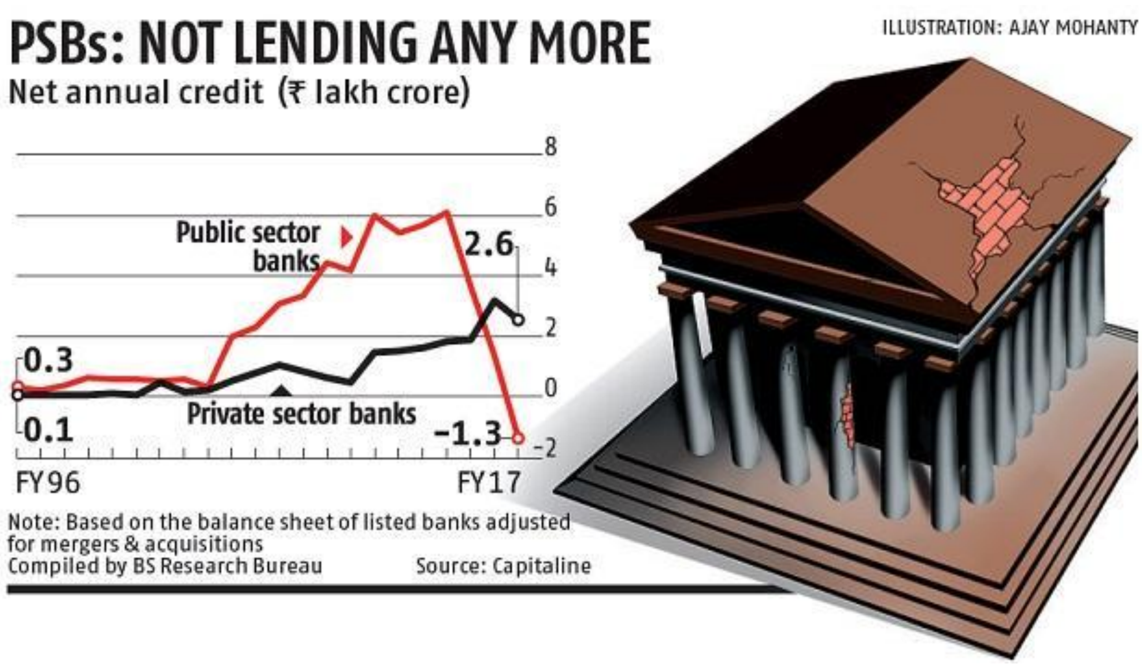


Public sector banks (PSBs) saw their loan book shrink for the first time in at least two decades as advances fell by Rs 1.35 lakh crore in FY17. In comparison, PSBs had made fresh loans (on a net basis) of Rs 1.34 lakh crore in FY16.

Also, PSBs' average capital adequacy is 40 per cent lower than that of private sector banks and half that of listed retail non-banking finance companies (NBFCs).

Every Rs 100 worth of advances by PSBs were backed by Rs 10.4 worth of core capital or net worth during FY17. The corresponding numbers for private sector banks and listed NBFCs were Rs 17 and Rs 21.4, respectively. The low capital adequacy constrained their ability to make fresh loans.

At the peak, PSBs had made fresh loans of over Rs 6 lakh crore during the fiscal year ended March 2014



The decline in advances of PSBs gathered speed during the current fiscal year, according to the Reserve Bank of India's (RBI's) 2016-17 annual report. In value terms, fresh non-food credit by commercial banks, which include both public and private banks, declined by around Rs 1.92 lakh crore during April-June 2017 period. In comparison, non-food credit by banks had grown by Rs 26,300 crore during the first quarter of FY16.

The contraction has been led by PSBs as private sector banks and NBFCs continue to grow their loan books, taking advantage of the growth opportunity opened up by the absence of PSBs in the lending market.

For example, private sector banks made fresh loans worth Rs 2.6 lakh crore in FY17, up from Rs 1.86 lakh crore in FY14. During the same period, incremental annual lending by retail NBFCs nearly doubled to Rs 1.3 lakh crore last fiscal year, against Rs 66,000 crore in FY14.

Experts attribute the decline in PSBs' dominance to their poor capitalisation, coupled with a general risk aversion in view of their large pile of bad loans and the RBI diktat on cleaning up their balance sheet. Also, bankers say companies with good credit ratings are shifting their debt from banks to the bond market, leading in repayments to banks.

The corporate debt data, especially of the highly indebted companies for FY17, are not available yet. Companies in the Business Standard sample saw a rise of about 5 per cent in their debt.

However, PSBs saw more repayment by their corporate and commercial borrowers than fresh borrowings, leading to a decline in their loan book.

Not surprisingly, market analysts are not sanguine about the future prospects of PSBs.

"After accounting for losses on account of bad loans, most PSBs don't have any capital left to make fresh loans, especially large loans to the corporate sector. I don't foresee any immediate turnaround in their fortunes, given the government reluctance to recapitalise them adequately," says Dhananjay Sinha, head of research, Emkay Global Financial Services.

This has resulted in business moving away from PSBs to private sector banks and retail NBFCs. "A slowdown in credit growth by PSBs has opened a new growth avenue for private sector banks and NBFCs. Their task has been made easier by an easy access to debt and equity capital for them," says Karthik Srinivasan, senior vice-president, Icra.

The trend has only accelerated in FY18. The net credit of housing finance companies shot up to Rs 22,500 crore during the first two months of FY18, from Rs 10,000 crore during the April-June 2016 quarter, according to the RBI annual report. During the same period, net credit by large NBFCs jumped eight times to Rs 28,500 crore, from Rs 3,500 crore during Q1 FY17. Separate data for private sector banks is not available.

In all, 12 out of 21 PSBs in the ***Business Standard*** sample reported negative credit growth last fiscal year, against seven in FY16; two in FY15 and none in FY14. The country's largest lender State Bank of India also saw a decline in its credit growth at the group level for the first time in many years.

Advances were down 5.1 per cent on a year-on-year basis last fiscal as many of its erstwhile associates (which merged with the parent) shrunk their loan book.

Some of the major government owned banks reporting a decline in their loan book include Central Bank of India, IDBI Bank, Indian Overseas Bank, Dena Bank, Allahabad Bank and Indian Bank, among others.

Allow bank boards to hire and fire CEOs, says Raghuram Rajan

The former RBI governor said bank boards needed more independence

Anup Roy & Nikhat Hetavkar September 9, 2017 BUSIENSS STANDARD

Former RBI Governer Raghuram Rajan speaking to PTI during an interview in New Delhi. Photo: PTI

Former Reserve Bank of India (RBI) governor Raghuram Rajan has said bank boards needed to be more independent and should be able to hire and fire chief executive officers (CEOs) without needing to take permission from the government.

"When we get there, we will have truly created the distance between the government and the public sector banks. One indication that we have achieved that will be the day we can close down the department of financial services," which is continuing to introduce sameness in public sector banks, Rajan said at an event to launch his book ***I Do What I Do*** in Mumbai on Friday.

"Cleaning up the bank is single most important task today, bar none," Rajan said.

He also said unlike a bureaucrat, who can hide behind rules, the RBI governor has a duty to warn in public, and say "no" to the government in private if an issue is not in the interest of the country. RBI governors should be protected the same way judges are protected, he said.

On why bureaucrats and people, who generally spoke in favour of the governments, quickly turn and fight for RBI's autonomy after joining the central bank, Rajan said nobody wants to lose credibility.

"How long can you remain subservient and remain in the organisation? People talk behind your back about how subservient you are," Rajan said. "People develop backbone very quickly. Otherwise you lose your credibility."

In any case, RBI should be allowed to function independently.

"If you don't have an independent central bank, you may end up like Zimbabwe," he said.

The Indian economy has tremendous potential, Rajan said, but its weakness was always implementation.

"We talk but we don't do. We just need to say we should do. We have fantastic entrepreneurs, we are capable of putting large satellites and rockets in space. Why every one of us is not rising to our potential," Rajan said, adding in 10 years' time India should transition to a middle-income economy.

"If we don't achieve that, we should ask ourselves why we didn't. Hopefully, there will not be any surprises like demonetisation in the future," he said.

CBI, ED hit a roadblock in Winsome Diamonds case; banks lose hope of repayment

The two government agencies are dependent on the United Arab Emirates (UAE) government for information about these 13 firms.

Tarun Sharma & Beena Parmar Moneycontrol News 8 9 17

Central Bureau of Investigation (CBI) has hit a roadblock in the loan default by two companies — Winsome Diamonds and Forever Diamonds — owned by Jatin Mehta. The government's investigation agency is unable to file a chargesheet against the two UAE-based firms that have defaulted on Rs 6,800 crore of loans.

In 2015, the two companies had filed cases in the Sharjah Federal Court arguing that the companies had suffered a business loss of USD 1 billion (Rs 6,500 crore) due to non-payment from 13 UAE-based entities. The Sharjah court ruled in favour of Winsome Diamonds and Forever Diamonds.

In May 2017, UAE's Appellate Court upheld the Sharjah court's verdict.

A senior ED official told Moneycontrol: "When there is a crime/investigation involving two countries, it is important that the crime is proven in both the nations. And in this case, we have declared the case decree, but UAE court has ruled in favour of them due to which the UAE government is not providing us with the necessary information."

The two government agencies are dependent on the United Arab Emirates (UAE) government for information about these 13 firms.

The case is also pending with the Enforcement Directorate (ED) as it can proceed only after CBI files a chargesheet. ED had last year sent Letters Rogatory to UAE seeking the information but it is yet to receive an official reply.

Letters Rogatory is a formal communication in writing sent by a Court, in which action is pending, to a foreign court or Judge requesting the testimony of a witness residing within the jurisdiction of that foreign court.

The 13 entities, which have allegedly defaulted on payments to the Mehta-owned firms, have challenged the Appellate Court's order in the Supreme Court of UAE.

Bankers feel that this loan money is unlikely to be repaid by Winsome Diamonds and Forever Diamonds. Enforcement Directorate had earlier attached Rs 200 crore worth of assets in the case.

Emails sent and calls made to Punjab National Bank chief by Moneycontrol did not elicit any response.

At the time of sanction, lenders' consortium led by PNB had given a loan of about Rs 4,500 crore against assets worth Rs 250 crore.

Post the merger with SBI, discontent brewing among associate bank staff

September 8, 2017 23:03 IST | Ashwen Ojha BUSIENSSLINE

Merger pangs SBI is accused of treating the staff of the merged entities as 'second-class citizens' shutterstock.com | shutterstock.com

Many complain of arbitrary transfers, promotions being overlooked

Stata Bank of India's mega merger with its associate banks, announced on April 1 this year, has been anything but smooth for some of the latter's employees.

Officers and clerks working for the erstwhile associate banks feel they have been given a raw deal with several instances of arbitrary transfers and many officers losing out on their seniority post the transfer.

“We are being treated as second-class citizens at SBI. The management has not been hearing the issues being raised by us. We are hopeful of a solution with the management without having to go to the courts,” said KS Krishna, former General Secretary, State Bank of Travancore Employees Union.

The Associate Bank Officer’s Association (ABOA), Hyderabad unit, had moved the court in April this year highlighting issues related to PF, allowances, increments, and rate of interest benefit (staff loans) not being extended to associate bank employees.

The association also flagged lack of clarity on service conditions such as seniority of officers post merger.

A senior official of the association said the employees are facing increased working hours as the servers at SBI are unable to handle the traffic, and they (the staff) are still adjusting to the new working conditions.

The Hyderabad High Court, in its interim order dated April 10, 2017, had directed State Bank of India not to finalise options available to the employees till June 15.

Counter petition

Aggrieved, SBI had filed a counter petition arguing that it was strictly complying with all the stipulations and safeguarding the interests of the employees of the associate banks and denied all allegations.

In its hearing on June 15, the judge took these submissions into consideration and vacated the interim order granted earlier.

While disposing of the case, the judge granted liberty to the officers and staff of the associate banks to have consultations with the SBI and gave a three-month deadline to sort the issue amicably. Going by the developments, it seems there has been no headway.

Speaking to BusinessLine, many employees of the former associate banks have expressed disappointment over the treatment they have faced during the initial phases of this mega merger.

There have been several instances of arbitrary transfers with allegations that SBI has not been following the rules governing transfers.

A circular, dated May 18, 2017, distributed by the All India State Bank Officers Association mentions that SBI employees were intimidating associate bank staffers with transfers if they joined a particular union.

"Since the merger, several of the associate bank employees above the Scale 4 grade have lost out on their seniority when compared to their peers at SBI," said an officer on conditions of anonymity.

"If SBI is going to promote its own officers at the cost of the associate bank employees, I see no reason for me to continue working in the bank as there would be no career growth," said a Scale 5 officer who was not considered for a promotion despite being due for one this year.

The Kerala government has been exerting pressure on the Centre to address the issues arising out of the merger of State Bank of Travancore with SBI.

Chief Minister Pinarayi Vijayan, while replying to a submission to the Assembly, said: "Post-merger, SBI is preparing to close down 300 branches across Kerala while the employees are being indiscriminately transferred. For customers, it has resulted in a hike in service charges." He added, "It is widely feared that SBI would adopt corporate-friendly policies that go against the interests of the larger public."

State Bank of India did not respond to BusinessLine when contacted.

BANKS BACHAO – DESH BACHAO

SAVE BANKS – SAVE INDIA

VIBRANT BANKING – VIBRANT INDIA

MORCHA TO PARLIAMENT

15TH SEPTEMBER, 2017

CLARION CALL FROM

UNITED FORUM OF BANK UNIONS

BE A PART OF THE HISTORIC MORCHA TO PARLIAMENT

AIBEA – AIBOA

AIBEA THIS DAY – 8 SEPTEMBER	
1983	Mechanisation and Computer Settlement signed – restricted use ensured.
1996	Com. Harmangal Prasad, Veteran leader, UP passes away.
2009	7th Parwana memorial lecture at Delhi – Prof. T K Oomen.

AIBEA THIS DAY – 97 SEPTEMBER	
1993	All India Strike call by mass organisations against Government's economic policies, closure of Sick Mills, communalism, and joblessness etc., AIBEA participates.
2009	Lights out for Nine minutes – AIBEA / Ex-nora Joint Programme against Global Warming
1952	Com. E. Arunachalam, former Treasurer AIBEA (date of Birth)

AIBEA THIS DAY – 97 SEPTEMBER	
1962	12th Conference of AIBEA, Calcutta. Prof. Mrinal Bhattarjee inaugurates. A C Kakkar and PrabhatKar elected President and General Secretary.
1972	Com .D P Chadda Prabhatkar & P S Sundaresan at GDR. East Jermany & Poland FDGABE study tour
2007	Strike call differed, IBA agrees to discuss wage demands

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in