



Banking News

Estd. 20-4-1946

3 AUGUST 2016

NEWS BULLETIN from ALL INDIA BANK EMPLOYEES' ASSOCIATION

For a greener planet, please don't print this unless necessary



SBI weighs plan to shut, relocate 30% of its branches

By *Saloni Shukla*, Aug 02, 2016, MUMBAI: ECONOMIC TIMES

State Bank of India, the biggest bank in the country, is considering a proposal to either relocate or shut down about 30% of its nearly 24,000 branches (SBI Group) to remain competitive as advised by global management consultant McKinsey.

While McKinsey did not respond to ET's query, SBI MD Rajnish Kumar confirmed that the bank had hired McKinsey for branch optimisation but did not offer any comment or detail about the size of the rationalization.

"We had engaged McKinsey for branch and ATM optimisation and customer enhanced experience programme," Kumar told ET. "We have also engaged Accenture Financial services to draw up a plan on our InTouch branches."

As part of its branch optimisation measures, State Bank of India recently either shut down or relocated more than 400 branches to cut costs. The bank now has 16,784 branches and another 6,978 branches will be added to its network once the associate merger process is complete by this fiscal

year-end. The bank has also gone slow in adding additional branches. While SBI added 1,053 branches in FY14 that number fell to 464 in FY15.

The bank added 451 branches at the end of the last financial year. SBI is currently gearing up for the merger of five associate banks and the scope for cost rationalisation is expected to increase further. SBI will merge all its five subsidiaries -- [State Bank of Bikaner and Jaipur](#), [State Bank of Travancore](#), State Bank of Patiala, [State Bank of Mysore](#) and [State Bank of Hyderabad](#) -- with itself. "Going forward, we need to be present where we need to," Kumar said. "With the associate banks now coming in, there will be a scope for branch rationalisation on a much larger scale." Kumar said there were several instances where SBI had 5-6 bank branches within 50 metres to 1 km (radius) and the bank would consolidate them depending on the business the branch generates. The bank has not arrived at how much costs it will save.

"Cost savings will definitely happen, otherwise why (would) you merge unless you can take benefit out of that synergy," said Kumar. "We are mapping how many branches overlap location by location and in another 15-20 days, we will have a fair idea on that." The bank is also looking at newer format for its branches. It has opened 133 InTouch branches which provides a variety of online services in self-service mode. When merged, the entity will be a banking behemoth with an asset base of Rs 37 lakh crore, branch network of nearly 24,000 and 58,000 ATMs.

Lok Sabha passes bill to fast track debt recovery

By ET Bureau | Aug 02, 2016,

NEW DELHI: The Lok Sabha has passed a Bill that amends four different Acts, seeking to expedite disposal of debt recovery applications that can take many years under the current regime.

The changes will strengthen the insolvency framework that is being implemented through the Insolvency and Bankruptcy Code passed by

Parliament in May. "One of the big challenges that we face is with regard to the enforcement of securities and the recovery of debt by financial institutions," Finance Minister Arun Jaitley said moving the Bill in the Lok Sabha, which later passed it by a voice vote.

The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill, 2016, amends four Acts — the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act of 2002, the Recovery of Debts due to Banks and Financial Institutions Act of 1993, the Indian Stamp Act of 1899 and the Depositories Act of 1996. "In order to facilitate expeditious disposal of recovery applications, it has been decided to amend the said Acts and also to make consequential amendments in the Indian Stamp Act, 1899, and the Depositories Act, 1996," Jaitley said in the statement of objects and reasons of the Bill.



One Act, Many Fixes

Lok Sabha clears Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill, 2016

How will the New Law Help:

- RBI oversight** of the asset reconstruction companies
- Central registry** to record details of all secured assets
- Priority of debts** due to secured creditors over all others debts and claims
- Time for filing** appeal to the Appellate Tribunal cut from 45 days to 30 days
- 50% of debt** to be deposited for filing an appeal; can be cut to 25% in some cases
- Right to take over** secured property; appointing receiver for such property and to sell the same
- Time can be given** to borrower if 25% debt deposited with promise to pay full
- Depositories** empowered to transfer asset to ARCs
- A fit and proper person** can sponsor an ARC
- Protection for secured creditor**, RBI, central registry or any of their officers for action taken in good faith

The Recovery of Debts due to Banks and Financial Institutions Act gives 180 days for disposal of recovery applications, but cases are pending for many years due to various adjournments and prolonged hearings. "The Bill aims to improve ease of doing business and facilitate investment leading to higher economic growth and development," Jaitley added.

Secured creditors can take possession of a loan collateral on default through the SARFAESI Act with the assistance of the district magistrate. The Bill fixes a 30-day timeline for the district magistrate to complete this process and he

will also assist the lender in taking over the management if the lender has secured more than 51% stake in the company through conversion of debt into equity.

The Act provides for setting up of a central registry that will maintain records of transactions related to secured assets, which will help prevent fraud by providing clear rights over the assets. It also establishes the supremacy of secured creditors' claim to assets of a defaulter over any other claims including other debts, revenues, taxes, cesses and rates payable to central government, state government or any other local authority. Creditors will not have recourse to the stringent recovery laws if they do not register the secured assets.

The Bill gives the Reserve Bank oversight over the asset reconstruction companies. The amendment to the Stamp Act waives off duty on transfer of assets to reconstruction companies.

The amendment also seeks to cut the time for resolution process by providing for summons, notices, communications or intimation to be served in electronic forms. It also provides for filing of recovery applications, documents and written statements in electronic forms and display of interim and final orders of the Debt Recovery Tribunals and Debt Recovery Appellate Tribunals on their websites.

Why create a bigger weak bank? Let small banks turn around and then merge them: Deepak Narang, United Bank of India

By ET Now | Aug 01, 2016,

Bhusnurmah, Consulting Editor, ET Now and Deepak Narang, ED, United Bank of India, discuss macro cues including how strong rupee is bad for market in the medium and long term. Edited excerpts

ET Now: The currency and essentially the dollar weakness against EM currencies are coming to the fore. What is happening? Why is this a factor that is likely to continue?

Mythili Bhusnurmath: I take a slightly more dismal view of the strength of the rupee. The exports had started recovering just a wee bit after 18 months of contraction. We saw finally exports look up a little bit In June and now we again have the rupee strengthening. That is not really good news for the market. For the macro economy may be it is a good news because the strength of the rupee is reflecting the flow of funds from overseas. So, for short term market, it is good news, but medium to long term it is not good news for the economy at all.

The rupee is grossly overvalued and the more it gets overvalued, the worse is it for our exports and for the economy because exports hubs really suffer and that is where you have a large number of people. So human distress will increase in those areas. And for a government which is particularly going to respond to the democratic voices at the grass root level, it becomes that much more difficult if the economy's growth becomes more lopsided than it is before. You have capital gaining more and labour is losing out in the process. So, I would not refer to strength of the rupee as a stellar performance but would say yes this is a reflection of a short term movements of forex. And this is not very good news really either for the rupee or for the economy or for the bond markets in the medium to long term.

ET Now: That is the fundamental view but you have to say that the move by the rupee today has been stellar. I mean just it is a sparkling move. The other key thing is tabling the GST, maybe tomorrow, maybe day after. I think everybody is just waiting for this bill to happen and there is a bit of day's delay out there. But how critical do you think from an asset class perspective is this passage of GST? Are different facets of the market already pricing that in?

Mythili Bhusnurmath : I think they have already factored it in because markets are essentially sentiment driven and they tend to be forward looking. So to that extent, certainly the fact that the government is much

closer to getting the GST bill passed than before is a huge positive. But let us not forget that this is just a beginning. The GST has a long way to go because this is only the constitutional amendment. Three other bills have to be passed.

This also has to be passed by the two-thirds of the majority, 50% of the states and you had three bills - the central GST, the state GST and the integrated GST which needs to be passed. So even after all this legislative process is over, there are lot of nitty-gritty that really needs to be done whether in terms of network, the software network, whether the business are ready. So I would say it will take at least two years, yes I repeat two years before we see the benefits of the GST at the ground level. But certainly to the extent that it signals a positive move on the reform front, mind you it has been a long time in coming, markets seem to be forward looking, have already factored that in.

ET Now: What is your outlook as far as banks' performance is concerned? Do you see credit picking up at all in this fiscal?

Deepak Narang: Health of banks is not good. There is no demand for credit at present. The banks are bogged down a bit with a lot of NPAs. The quarterly results are weak. The demand is yet to pick up. Banks would be happy to lend because their income has to grow provided some infrastructure or some other companies come on track and government gives a boost to infrastructure and banks would be willing to do that. But as of now, I do not find that there is any growth happening. Appetite is also weak for banks to take bigger loans because they are very worried about stress assets which they have on their balance sheet and let us see how things happen because by March 17, they had to come clean on their NPAs. It will take time I suppose for credit to pick.

ET Now: The result season also has been a bit of a mixed start but in spite of all of that, we are seeing the INR doing well at least for today. It is also the bond yields that is hitting fresh three-year low at 7.12 intraday, what is your call on the bonds?

Mythili Bhusnurmath : As far as bond yields are concerned, they have clearly fallen quite dramatically even in the Indian context, globally of course they have fallen even in to negative territory and though we are unlikely to ever reach there the fall is significant. And I think this is certainly good news as far as banks are concerned because they can at last book some treasury profits and that will really come to their rescue at a time when their net interest margins are under pressure. So this will really help cushion some of the loss that they are facing on their lending and particularly as far as capital is concerned this will really help them.

Mythili Bhusnurmath: In the case of a bank of a bank particularly like United Bank of India which has not been doing too well in the recent past, how much do these bond yields really help cushion the treasury side of the bank business and help the bank improve its performance or bottom line performance?

Deepak Narang: Yes, you would say that. Even this treasury income has really boosted the profit of bank, but you know what I would really say, it is not really banking bet. What we lend and earn interest on that are dependent on market forces, of course if you subtract treasury income you would again find banks in loss but that is not the really business which banks do.

It is a business involved in taking deposit and lending. If you see news, it is only the treasury profit which has boosted the profitability of banks. If you subtract that, I think banks would again be in loss that is a cause of worry for me and that is what I see, no demand picking and NPAs rising so that remains a concern as far as banks are concerned.

Mythili Bhusnurmath: Another important news as far as public sector banks is concerned has been all this talk of mergers. How easy is it, particularly for banks in the east where the unions tend to be very strong? How easy would it be really to effect mergers of particularly banks headquartered in the east?

Deepak Narang: I always say that if you have to merge banks and make a bigger bank, let the balance sheet be in black and not in red because if you

merge banks when they are weak, you create-- transfer NPAs from one balance sheet to another balance sheet and make a bigger weak bank. So that should not be the criteria, first when small banks are there, let them turn around, recover their NPAs and then you can always take a call on merger depending in geographical spread and technology. This is not the opportune time for government to merge banks or they create a bad bank and transfer all the bad assets to bad bank and then merge the bank otherwise chaos is going to happen as far as NPAs and smaller loan accounts are concerned. So my idea would be not to do it right now.

AIBEA This day – 3 AUGUST :

1956	B S Rambabu, Joint Secretary, AIBEA (date of birth)
1959	All India Demands Day for Wage Revision.
1970	General Council of AIBEA meets at Hyderabad
1987	National campaign Committee observes Dharna on shifting the DA base from 1960 to 1982

**March on to General Strike
on 2nd September, 2016 along with
150 million workers of India
Oppose anti-worker labour reforms**

AIBEA - AIBOA



ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

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

Phone: 2535 1522, 6543 1566 & Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com