AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

PSBs mop-up over Rs.10,000 crore from people not maintaining minimum balance, using ATMs more

SHISHIR SINHA |

NEW DELHI, DECEMBER 21

BusinessLine

Twenty-one public sector banks (PSBs) have collected more than Rs.10,000 crore in 42 months from the general public for not maintaining minimum balance and charges for additional ATM transactions beyond the permitted free facility.

These charges contribute to banks' profitability. Information made available to the Lok Sabha, on Friday, revealed that 21 PSBs collected Rs.1,000 crore in the first six months (April-October) of 2018-19 as charges for not maintaining minimum balance in saving accounts.

Similarly, these banks got over Rs.850 crore from customers using ATMs more than the permissible free numbers. Both Finance Ministry and banks do not see any wrong in it as everything has been worked out on the basis of RBI guidelines and board approved policy.

Collection through charges (in ₹ cr)

Years	Charges for not maintaining minimum balance	Charges for ATM use beyond permitted free numbers	Total
2015-16	841.41	921.64	1,763.05
2016-17	926.36	938.13	1,864.49
2017-18	3,489.52	1,413.29	4,902.81
2018-19*	989.45	871.93	1,861.38
Grand total			10,391.73

Source: Lok Sabha *April-Sept

The Reserve Bank of India in a circular dated July 1, 2015, had permitted banks to fix service charges on various services rendered by them, as per their board approved policy, while ensuring that the charges are reasonable and not out of line with the average cost of providing these services.

Accordingly, banks levy charges in the case of not maintaining minimum balance in saving accounts, excluding salary package accounts, basic savings bank deposit (BSBD) accounts and Jan Dhan accounts. Banks also collect fee for using ATMs more than the permitted free numbers.

State Bank of India charges between Rs.5 and Rs.15 (plus GST) for various levels of shortfall. Its customers are required to maintain an average monthly balance ofRs.3,000 for savings bank accounts in metro and urban areas, Rs.2,000 in semi-urban and Rs.1,000 in rural areas. In the event of a default in maintenance of minimum balance / average minimum balance as agreed to between the bank and customer, the bank notifies the customer clearly by SMS / e-mail / letter etc. that in the event of the minimum balance not being restored in the account within a month from the date of notice, penal charges will be applicable. As per the RBI's direction on 'Usage of ATMs – Rationalisation of number of free transactions', dated August 14, 2014, a minimum of three free transactions at any other bank's ATMs at six metro location, viz. Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad and a minimum of 5 free ATM transactions at a bank's own ATM at any other location is permitted during a month. Beyond this, banks have their board approved policy on charges from customers on ATM transactions, subject to a cap on customers' charges of Rs.20 per transaction.

According to officials, banks have been advised to identify basic services and the principles to be adopted or followed by them for ensuring reasonableness in fixing such charges. They are to take steps to ensure that customers are made aware of the service charges upfront and changes in the service charges are implemented only after prior notice to the customers.

10 lakh bankers to strike work on December 26 against mergers

IANS | Dec 21, 2018, TIMES OF INDIA, CHENNAI:

With the failure of conciliation talks, about 10 lakh bankers in private and government banks will go on strike on December 26 protesting against the merger of Bank of Baroda, Dena Bank and Vijaya Bank, the **All India Bank Employees Association (AIBEA)** said on Thursday.

"During the conciliation meeting held in Delhi today (Thursday), the Additional Chief Labour Commissioner advised the three banks and IBA (Indian Banks Association) to hold negotiations with the unions and convey the Union's concerns to the government," AIBEA General Secretary C.H. Venkatachalam told IANS.

"No assurance came from either IBA or the government. Hence the conciliation talks failed and the December 26 strike stands," Venkatachalam added. The AIBEA is part of the nine unions in the banking sector under the umbrella body of United Forum of Bank Unions (UFBU).

According to Venkatachalam, the strike was only against the bank mergers and there was no deadlock on the wage revision talks with IBA.

India is largely unbanked or underbanked with low density of banks. Mergers will kill bank branches while the focus should be on recovering the huge outstanding loans, the AIBEA said.

With Christmas on December 25, banks would effectively be closed for two days, affecting the banking public. Though the bankers had wanted the strike on December 24, a Monday, for a bigger impact as the banks would then be closed for four consecutive days (December 22-25), the unions decided to strike on December 26 to lessen the impact on public.

Three-way amalgamation of BoB, Dena Bank, Vijaya Bank takes wings

In September, the Centre had approved of the merger of the Bank of Baroda, Dena Bank and Vijaya Bank

Alternative Mechanism headed by FM gives in-principle approval

K.R. SRIVATS | NEW DELHI, DECEMBER 21

THE HINDU BusinessLine

The proposed amalgamation of Bank of Baroda (BoB), Vijaya Bank and Dena Bank has moved a step forward with the Alternative Mechanism (AM) headed by Finance Minister, Arun Jaitley, giving its in-principal approval for the structure of the amalgamation.

As per the in-principle approval, BoB will be the 'transferee bank' and Vijaya Bank and Dena Bank will both be 'transferor banks'. This would mean that the amalgamation process, which would lead to formation of the country's third largest bank, would not involve creation of fourth entity where the assets of the three banks would get transferred, said banking industry observers.

It would also mean that BoB will retain its brand identity while the other two Vijaya Bank and Dena Bank will cease to be separate legal entities.

In the recent months, Vijaya Bank is understood to have made a case with the Government that it is as strong and well managed as BoB and therefore should not lose its brand identity under the amalgamation process, sources said. However, this has not passed muster with the Government which has now broadly settled on the structure and nature of amalgamation.

This in-principle approval of the AM, which was set up by the Cabinet last year to hasten the process of consolidation of public sector banks, has now been conveyed to the stock exchanges. Indications are that the capital markets regulator SEBI will be moved to seek exemption from takeover code obligations, if any that may arise from the three-way amalgamation.

Based on this AM's in-principle approval, the three banks are expected to take steps in accordance with law and SEBI requirements. The final scheme of amalgamation will have to be notified by the Central Government in consultation with RBI.

AM had on September 17 proposed the amalgamation of state-owned BoB, Dena Bank and Vijaya Bank to create India's third-largest bank. The other members of AM are Defence Minister Nirmala Sitharaman and Railways Minister Piyush Goyal. The aim is to create a mega bank that would be sustainable and whose lending ability will be far higher, Jaitley had then said.

The Centre has gone in for an amalgamation that involved two strong banks and a weak bank, thus avoiding the merger of two weak banks. The envisaged amalgamation will be the first-ever three-way consolidation of banks in the country, with a combined business of Rs. 14.82 lakh crore, making it the third largest bank after State Bank of India (SBI) and ICICI Bank.

The merger of the three banks would be through share swap, which will be the part of the scheme of amalgamation. Once the amalgamation of BoB, Vijaya Bank and Dena Bank is completed, the number of state-run banks will come down to 19.

Centre moves NCLT to re-open IL&FS books

PTI MUMBAI, DECEMBER 21, 2018

THE HINDU

Invokes powers under Section 130 of new Companies Act

The Corporate Affairs Ministry on Thursday moved the National Company Law Tribunal (NCLT), seeking to reopen the books of IL&FS Group and its subsidiaries for the past five years under Section 130 of the Companies Act, to ascertain financial mismanagement.

This is the first time that the government has invoked the powers under Section 130 of the new Companies Act of 2013 to reopen the ledgers of a company.

The government wants to check the balance-sheets of crippled group entities and the two listed subsidiaries — ITNL and IL&FS Financial Services — for the past years and the move comes after the Serious Fraud Investigation Office (SFIO) found shocking details of corruption, personal enrichment and other non-transparent deals.

The NCLT, however, refused to pass an immediate order saying it had to seek the views of the relevant statutory bodies and regulators such as the Reserve Bank, SEBIand the Income Tax Department, before taking a call on the petition.

Hearing on Jan. 1

The two-member bench of judges V.P. Singh and Ravikumar Duraisamy said they would issue the notices on Friday and hear the matter when the court reopens on January 1, 2019.

The ministry also submitted a report on the views of the Institute of Chartered Accountants on the IL&FS Group's accounts, which were audited by Deloitte, EY affiliate SRBC and KPMG affiliate BSR.

The government plea also wants NCLT to appoint an independent chartered accountant to take restate the accounts and revise the balance-sheets of IL&FS, IL&FS Financial Services and IL&FS Transportation Network and wants three months to do the job. The group owes over Rs.94,000 crore to lenders, mostly banks.

Meanwhile, the bench approved the appointment of two new directors to the board of IL&FS Financial Services.

Former bureaucrat Vijay Kumar and senior chartered accountant N. Srinivasan have been appointed as non-executive directors after G.N. Bajpai resigned from the board within a month of government appointing him in October.

With this, there are eight non-executive directors on the IL&FS board, including chairman Uday Kotak.

Patel warned of upside risks to inflation due to fiscal slippages

SPECIAL CORRESPONDENT MUMBAI, DECEMBER 19, 2018
THE HINDU

'Govt.'s fiscal stance a shock amplifier, not shock absorber'

Former Reserve Bank of India Governor Urjit Patel as well as Deputy Governor Viral Acharya have cautioned the government on the upside risks to inflation due to fiscal slippages, minutes of the December Monetary Policy Committee (MPC) meeting showed.

Admitting the pace of inflation slowed in October, Dr. Patel highlighted several upside risks to inflation, including the risk of fiscal slippages at the Centre and/or State levels. "With the government [Centre plus States] fiscal deficit budgeted at about 6% of the GDP in 2018-19, the extant national fiscal stance continues to be more like a "shock amplifier" rather than a "shock absorber" for our macro economy," Dr. Patel said.

During the policy meet, the central bank kept interest rates unchanged while maintaining the 'calibrated tightening' stance.

All things considered, the time is apposite to strengthen domestic macroeconomic fundamentals; fiscal discipline is critical to create space for and crowd in private investment activity, he said.

Dr. Acharya, who is in charge of monetary policy, also said fiscal slippage was within the realm of reasonable possibility. Falling crude oil prices gave an opportunity for fiscal consolidation, he added.

While Dr. Acharya had said that since inflation had come down in a short period, it is important to 'wait and watch.' However, Dr. Patel indicated opening up of space for rate cuts.

"Should upside risks, as outlined above, not materialise on a durable basis in the coming months, there is possibility of space opening up for policy action in due course," Mr Patel said.

Union Bank's tech-based monitoring mechanism to stem growth of NPAs

K RAM KUMAR | MUMBAI, DECEMBER 21 THE HINDU BusinessLine

To stem accretion of bad loans, Union Bank of India is putting in place a technology-based monitoring mechanism to identify stress in a loan almost 60 days before it gets categorised as a first-stage special mention account (SMA).

This mechanism will give the bank more time for follow-up and resolution even before a loan gets categorised as SMA-0 (whereby an account shows signs of incipient stress), according to MD and CEO, Rajkiran Rai G.

Assets with potential weaknesses (which deserve close attention and can be resolved through timely remedial action) are categorised as SMAs. When the principal or interest payment is not overdue for more than 30 days but the account shows signs of incipient stress, it is categorised as 'SMA-0'. Accounts in SMA-1 and SMA-2 are those where the principal or interest payment are overdue between 31-60 days and 61-90 days, respectively.

"For credit we have put in place all the systems that will ensure enhanced due diligence. So, I am very sure, our credit quality will gradually move up.

"Our focus now is more on the monitoring side. We are building a technology-based platform for monitoring," explained Rai.

The emphasis of the public sector bank is to identifystress in loans much before default. Hence, it has built a model around that.

"Generally, our monitoring used to start from SMA 0 (first signs of default). From this point, we have 90 days before an account becomes a non-performing asset (NPA).

"But now, we have developed a system whereby we detect stress in an account 60 days before first default (SMA-0). We call it early warning," said the Union Bank chief.

The Mumbai-headquartered public sector bank, which recorded a net profit ofRs.139 crore in the second quarter against a net loss of Rs.1,531 crore in the year-ago period, reported lower slippages aggregating Rs.2,667 crore in the second quarter against Rs.4,652 crore in the preceding quarter.

The political economy of the persistent agrarian crisis

Loan waivers and the promise to raise MSP cannot solve the problem

Dec 21 2018 | Himanshu live mint

The victory of Congress party in the recent assembly elections of Chhattisgarh, Madhya Pradesh and Rajasthan has brought the agrarian crisis in rural areas to the centre of political debate. While there are several factors in election victories, the severity of the agrarian unrest was surely a major factor. While there is consensus that the incumbent Bharatiya Janata Party (BJP) has been indifferent to the agrarian crisis and in some ways even contributed to it, there are no easy solutions to the crisis. Even the victorious Congress party has also gone back to the same old formula of loan waivers and the promise to raise the minimum support price (MSP) of crops to win back the trust of the farming community.

Both prescriptions are old and have been tried by every party, including the BJP in the state elections of Uttar Pradesh and elsewhere. But can loan waivers and MSP increases reduce the severity of the agrarian crisis let alone provide a long-term solution? The answer is a clear no. Not only are these inadequate and do not address the real issues but also create disincentives which are detrimental to the long run prospects of agrarian revival. Apart from being iniquitous benefiting only the institutional borrowers and surplus farmers, both of these are large drains on the financial resources of both states and the centre with the negative fallout of a decline in investment in agriculture. This has been the case at the central level with agricultural investments declining in real terms during the tenure of this government and also in most states that implemented loan waivers.

But they also detract attention from the core issues that plague Indian agriculture. The debt trap is only a symptom of a larger crisis of declining farm incomes driven by a large decline in crop output prices even though input prices have risen. This has happened in food crops but also in non-food crops. The movement of terms of trade against agriculture in the last four years has only worsened in recent years. So much so that the aggregate food inflation from the Wholesale Price Index (WPI) is negative for the last five months. It is important to note that the WPI data underestimates the severity of price decline since what matters to farmers are farm harvest prices that are even lower than wholesale prices.

The real question is why agricultural prices are declining when there is no such trend visible in international markets. Arguments suggesting that price decline is due to surplus production are not just simplistic but are also naïve in a country where starvation deaths and malnutrition continue to make headlines. While there are a combination of factors, including unnecessary imports, market restrictions and oversupply in some commodities, it is also a result of severe demand deflation in the economy, particularly the rural economy.

The inconvenient truth about the decline in agricultural product prices is also the larger political economy that emphasizes lower inflation over everything else. And this is achieved by suppressing food prices since these are seen as a major cause of inflation. While the evidence in this regard suggests no correlation between food inflation and core inflation, including in recent months where both have diverged, it also shows monetary policy has a limited role in explaining food inflation. Still, the mantra of low food inflation and thereby overall inflation is something that is stressed by rating agencies and foreign institutional investors as they seek to maintain the real value of their assets in developing countries. Any deviation from this is punished in the form of a ratings downgrade and the fear of a fiscal deficit.

But what it implicitly does is punish farmers at the cost of subsidising the middle class and financial institutions. The problem of low prices in agriculture is essentially part of a larger political economy architecture that uses the agricultural sector as the bargain sector. It is part of the gamut of deflationary policies successive governments have followed after the 1990s. Such a policy prescription of deflationary policies such as credit constraint and contractionary fiscal policies leading to decline in government expenditure is also responsible for the job crisis the country faces despite better than average growth of the gross domestic product.

By now it is obvious the rural areas are in deep crisis with demand collapsing to its lowest. Real wages continue to decline in real terms, incomes of farmers have declined due to rising input costs and declining crop prices. With demonetization and the rolling out of the goods and services tax further eroding the capacity of the unorganized sector to absorb labour and create demand, the rural economy has come to a virtual halt. The fact that these have happened precisely at a time when agricultural production has reached record levels and growth rates are rising also implies that the problem is one of the model of economic growth that the country is following. Unless governments realize that the current crisis is a result of the flawed political economic structure which penalises farmers to serve the interests of the middle class and financial markets, agrarian crisis is unlikely to go away.

Citizen-led employment generation is what's needed

Employment opportunities will require focus on smaller districts that house majority of population

Dec 21 2018 | Shashank Tripathi

live mint

As one of the youngest countries in the world, India often feels secure in the growth of its demography and a decreasing dependency ratio. On the other hand, every time we observe a group of young men loitering on a side street or the outskirts of a village, we are reminded of the dark shadow of a demographic liability. China is going through the pains of a working-age population that has peaked at 1 billion citizens and starting to decline rapidly. In 15 years, a similar process will happen in India, as our dependency ratio peaks and then declines. The next decade will be decisive for India to use its growing demography to foster inclusive growth. This next decade is a "do or die" moment for slaying unemployment.

Social tensions are rising as "two Indias" emerge from a demographic perspective. The north and east have high fertility rates, low labour force participation and high marginal employment. In contrast, the west and south have low fertility rates and, in some instances, is showing shortage of manpower. This is resulting in interstate migration, creating social tensions. The west and south are resentful when they see "outsiders" stream in on packed trains. The north and east are likely to experience increasing social strife when a digitally alive population fails to fulfil their aspiration. Of every 100 additional employment requirement for the country in the coming decade, 80 will be in the 10 large states in the north and east where demography is still in its surge phase.

Creating large-scale local employment will be essential for inclusive growth, and is a key agenda for the country over the coming decade. Employment opportunities will require focus on smaller districts that house a majority of our population and still remain rural or semi-urban and in some cases tribal. Even if large-scale manufacturing and traditional information technology services can be relocated to these districts, automation is reducing the number of jobs they produce. Employment generation requires district-level effort for job creation that link local entrepreneurs to markets, with solutions that use local resources.

A new approach to large-scale employment has to understand that employment generation is the task of citizens, society, and the private sector, not just the government. Employment generation starts with strengths, resources and capabilities of that region. These resources require market connects, which generate revenues for a local entity, or which can highlight local assets, as with tourism. We have named this approach Nagarik to highlight its focus on citizen leaders as job creators. This approach addresses the challenge of creating large-scale employment as an opportunity for inclusive growth. The approach takes local leaders, local resources as the starting point of employment generation. For instance, agro-processing, dairy, non-timber forest product, local tourism are resources that are specific to a region or a district and should be a starting point for employment generation. Local resources, production units, have to be better connected to the market for creating employment.

Underlying this approach is a change in mindset. Most narratives for our 1.3 billion democracy sees citizens as passive consumers. Nagarik starts by looking at citizens and local entrepreneurs as producers not mere consumers. It then creates an enabling ecosystem that shifts the focus of economic value creation from larger cities to smaller towns using local resources from that area. It uses market connects as the starting point. Our smaller towns and districts are rich in resources and talents, but are not connected to the national or international market, an issue directly addressed by Nagarik.

Connecting local entrepreneurs to the market using local capabilities of that district is a key feature of Nagarik. An initial assessment of districts understands which local resources will be of use to the regional, national and international markets. The nature of the processing, manufacturing or in some cases services interventions are identified given this market connect. The platform also identifies local entrepreneurs who are able to create and man the units, and strong finance connects are also facilitated. In some cases, "mega themes" like a tourist circuit would necessitate project management and intervention from the regional or state government, although this is rare. The result is local direct job creation in those local enterprises as well as indirect job creation as local produce is collected, processed and exported.

A number of private sector companies are taking part in this approach as part of mainstream business, not CSR. This approach can drive efficiency in the economy with lower cost, wider sourcing structures while providing employment to a large number of people in smaller districts. However, given the complex, 360-degree relationships and stakeholder partnership, the structures, processes and outcomes from this approach requires committed partners guided by a strong convening agency. The adoption of this approach in different states and districts is gaining momentum as a citizens' movement. It's a once-in-a-lifetime opportunity to build India, keeping the citizen at its centre and utilizing the bountiful resources of our smaller districts where employment is most needed.