AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

IDBI Bank employees to go on strike on Aug 30 against 51% stake sale to LIC

Other Bank employees to hold protest, agitations and finally a strike against Government decision

T E Narasimhan | Chennai July 24, 2018

Business Standard

IDBI Bank

Employees of IDBI across the country are planning to go on strike on August 30 to pressurise the government not to privatise IDBI Bank. All India Bank Employees will be supporting IDBI Bank employees through agitations and protests and it will be followed by a strike, threatened **All India Bank Employees Association**.

The decision was taken at a meeting of the representatives of All India Bank Employees Association (AIBEA), All India Bank Officers'

Association, All India IDB Employees' Association, All India IDBI Officers' Association at Chennai on Tuesday.

The Associations want the government to **stop privatisation of IDBI Bank**, government should keep its assurance to the Parliament and **implement Clause 4 of the Articles of Association of IDBI Bank by maintaining minimum 51 per cent equity** in the Bank and take stringent measures to recover bad loans.

C H Venkatachalam, general secretary, AIBEA and members of other Associations have said that the **bad loans in IDBI Bank has gone upto Rs 550 billion**, instead of taking stringent measures to recover these bad loans given to big corporate houses, the government is going back on its assurance given to the Parliament to maintain 51 per cent of the Bank's capital and trying to hand over the Bank to LIC and opening the gateway for privatisation of the Bank.

Clause 4 of the Articles of Association of IDBI Bank provides that Central government will maintain 51% of the Equity at all times. (Clause 4 : The Central Government, being a shareholder of the Company, shall at all times maintain not less than fifty-one per cent of the issued capital of the Company), they noted.

But by allowing LIC to acquire 51% of the equity, government's capital will come down to around 43 per cent. Thus even the Bank's own Articles of Association is being violated, they alleged.

The main problem in IDBI Bank is the growing bad loans of the big corporate and business houses. Because these huge bad loans are not being recovered, rather all types of concessions are being given, the profits earned by the Bank are going towards making provisions for these bad loans, they added.

In the last seven years from 2012 to 2018, Rs 242.26 billion of loans of the big borrowers have been written off by the Bank.

When the entire profit of the Bank is going towards provisions for bad loans, the Bank is suffering from loss, inadequate capital, etc. The government should take tough measures to recover the bad loans and in the meantime, extend capital support as assured to the Parliament, said the Associations.

They added, "instead, the government is deciding to reduce its equity to less than 51 per cent in flagrant violation of their own commitment. LIC is being allowed to acquire majority equity of the Bank. This is surely the gateway to ultimately privatise the Bank".

On this backdrop it was decided to launch series of agitation programmes starting August 1, to save the Bank from privatisation and safeguard the jobs, job security and other interests of the employees and officers, said Venkatachalam.

Welcome relief

Dropping the FRDI Bill was sensible but the low level of deposit insurance needs review

THE HINDU BusinessLine

The Centre has done well to heed the public’s concerns and drop the controversial Financial Resolution and Deposit Insurance (FRDI) Bill. The infamous ‘Clause 52’ of the FRDI Bill, which proposed to empower the Resolution Corporation overseeing bank defaults to invoke bail-in provisions cancelling any of the bank’s liabilities, had rattled depositors. In India, where over 70 per cent of the depositors’ money is parked in state-owned banks, proposing the use of deposits for bail-ins would have shaken public faith in the banking system. At a time when scam-hit PSU banks are reeling under huge losses, such a suggestion only sounded more absurd. That scrapping of the Bill altogether has left a gap in the legal framework for resolution, including liquidation, of financial firms in India, is a matter that the Centre will no doubt have to take up at a later date. But in India, where instances of commercial banks going kaput are very rare, incorporating a bail-in clause, as in other developed countries post the 2008 crisis, will always be unwise. There were a number of banks that failed in India in the pre-Independence era. But the public outcry that followed led to the RBI being granted powers in the early 1960s for consolidation, compulsory amalgamation and liquidation of small banks. Since the reforms in 1993, 13 forced mergers have taken place. Technically, no commercial bank has 'failed' in India.

That said, the sharp deterioration of public sector banks' finances has shaken depositor confidence. The biggest backing that state-owned banks have at all times is the Centre, pumping in money year after year. But, sadly, such tacit support from the Centre has stood in the way of creating a robust deposit insurance system in India. Less than a third of bank deposits in value terms are insured by the Deposit Insurance and Credit Guarantee Corporation of India. The abysmally low Rs.1 lakh cover, was last raised in 1993. Canada, Brazil, Indonesia, Switzerland, and France all insure an amount upwards of $70,000 per depositor. In the US, the Federal Deposit Insurance Corporation offers an insurance coverage of $250,000; In India, the deposit insurance currently is a meagre $1,500.

The issue in raising the cover has been the perception of cross-subsidisation in the operation of the deposit insurance system. This is because, so far in India, the beneficiaries of the deposit insurance system have mainly been urban cooperative banks. The RBI would do well to implement the risk-based differential premium system, which was proposed by the panel headed by Jasbir Singh in 2015. With public sector banks perennially in need of capital to carry on operations and the Centre hamstrung by fiscal compulsions, it is imperative to strengthen safety nets to protect depositors' interest. Above all, governance reforms in PSU banks that have been put on the backburner cannot be ignored any longer, if depositors' faith in the banking system is to be restored.

Vijay Mallya intends to come back: ED sources

Devesh Kumar Pandey NEW DELHI:, JULY 24, 2018

BusinessLine

Vijay Mallya. | Photo Credit: AP

The development comes days before the next hearing on India's request for Mr. Mallya's extradition on July 31.

Businessman Vijay Mallya, who is facing extradition proceedings in the United Kingdom and against whom the Enforcement Directorate (ED) recently invoked the Fugitive Economic Offenders Ordinance (FEOO), has indicated that he may come back to India, said an agency source.

While no official communication has been received from Mr. Mallya so far in this regard, the ED is learnt to have received inputs that he has shown the intent to come back to India to face the law in connection with the alleged wilful bank loan default cases against him. "We have information that he may return," said an official.

The development comes days before the next hearing on India's request for Mr. Mallya's extradition on July 31.

A few weeks ago, the ED moved an application before a Special Court in Mumbai seeking issuance of a notice against Mr. Mallya under the FEOO and confiscation of assets worth Rs 12,500 crore purportedly linked to him if he did not turn up. Accordingly, the court issued a notice seeking his presence on August 27.

A certified copy of the notice is now with the Ministry of External Affairs to be sent to the United Kingdom and served on the beleaguered businessman.

Forex reserves down by $734.5 mn

PTI | MUMBAI, JUL 20

THE HINDU BusinessLine

India's foreign exchange reserves declined $734.5 million to $405.075 billion for the week ended July 13, Reserve Bank data showed today.

The forex kitty had declined $248.20 million to $405.81 billion in the previous reporting week. The reserves had touched a record high of $426.028 billion in the week to April 13, 2018. During the week, foreign currency assets, a major component of the overall reserves, declined $789.1 million to $380 billion, the RBI data showed.

Expressed in US dollar terms, foreign currency assets include the effect of appreciation or depreciation of non-US currencies such as the euro, pound and yen held in the reserves.

Gold reserves increased by $75.4 million to $21.115 billion in the reporting week.

The special drawing rights with the International Monetary Fund (IMF) decreased by $7.8 million to $1.481 billion, while India's reserve position with the IMF also declined by $13 million to $2.476 billion.

AIBEA THIS DAY JULY 25	
1955	Bank Award Commission Report findings released.
1995	Strike by RRB Employees on 6th Bipartite wage parity.
2006	National Convention of Workers in Delhi. AIBEA participates.

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