



Prefer merger among stronger banks: Arun Jaitley

Referring to divestment in Air India, Jaitley said the process disinvestment was moving quite well

Nikhat Hetavkar & Abhijit Lele | Mumbai September 23, 2017
BUSINESS STANDARD

Giving preference to consolidation for robust banks, Finance Minister Arun Jaitley on Friday said he would rather have a merger of strong banks rather than weaker ones.

"The object of consolidation is to create bigger and stronger banks," Jaitley said, speaking at Bloomberg's India Economic Forum here. Bank consolidation has to move in tandem with the process of strengthening the banks, which are struggling with asset quality issues, Jaitley said.

So far, the focus was on merging weak banks with relatively stronger counterparts in the public sector space. Bankers have expressed reservations over this approach as it hardly addressed issues of asset quality problems and capital.

Referring to divestment in Air India, Jaitley said the process disinvestment was moving "quite well" and transaction advisors would be appointed soon. The government has invited applications for an asset valuer for the national carrier as well as its subsidiaries and overseas offices, a *PTI* report said on Friday.

There have been a number of meetings of the ministerial panel and committee of secretaries on how to deal with the main company and the five subsidiaries. "We have worked up those," the minister said.

Addressing bankers earlier in the day, the finance minister said the government was facing two major challenges — encouraging private sector investment and improving the capacity of the banking system to support growth. "We have done adequate amount of analysis on the causes for challenges. Now we have to look for solutions for them," he said in his address at the Indian Bank Association's annual general meeting.

Manmohan Singh tells ISB meet demonetisation was not required at all



Mohali: Former Prime Minister Manmohan Singh on Friday said the economy is on a "downhill path" because of the "adventure" of demonetisation undertaken last year which was not required at all, either technically or economically.

Singh, a renowned economist considered to be the architect of the reforms of early 1990s, said demonetisation has not been successful in any civilised country, except some of the Latin American nation.

"I don't think demonetization was at all required... I don't think it was technically, economically necessary to launch this adventure," he said at the Indian School of Business (ISB) Leadership Summit here when asked if the note ban decision was the right one.

Prime Minister Narendra Modi had announced on November 8 last year scrapping of Rs 500 and Rs 1000 currency notes.

He said the process involved withdrawing almost 86 per cent of the currency from circulation and "there was bound to be fallout which we are all seeing."

Singh made a speech before answering a few questions at the event.

"The economy has slowed down as I had projected a few months ago as a result of demonetization and also the fact that demonetisation has been accompanied by the GST, which is a good thing that we have done in the long term. But in the short term, there are glitches that need to be resolved.

Therefore, the economy has experienced a downhill path," he said.

He said the GDP growth was much higher in the last quarter of 2016-17 than the first quarter of this financial year.

There are certain things that need to be done immediately, Singh said.

"When we were in office, investment rate in the economy was 35-37 per cent but now it is less than 30 per cent.

Private investment in particular is not growing," he said.

He added that India needs much more investment in public sector "but we cannot rely exclusively on public sector realise our development initiatives. We must also simultaneously work on a foreign exchange situation."

Singh, who had served as the country's finance minister over two decades back, said growth cannot take place at a high rate if banking system is not performing its task of providing money to entrepreneurs and to others who need to invest in our economy.

Responding to a question on healthcare, he said it is one area where the country is not spending enough and not giving the required emphasis on preventive healthcare.

Although private sector has a role to play, the public health problems require strong leadership and this is one area where markets are important but not the final solution, he said.

Asked what he felt would be the role of the government in foreseeable future and its interactions with the private sector, Singh said, "government in our country cannot be wished away.."

He said public sector spending is only 30 per cent of the GDP, which is not too big compared to many other nations.

Infrastructure, public healthcare, agriculture are the areas where the government will remain important, he said.

Responding to a question on globalisation, Singh said it is here to stay.

Despite what US President Donald Trump said in his election campaign, the American public opinion will prevail, he said.

"Also, I feel in Europe too there is today recognition of multilateral trading system. China today has become a great champion of globalization," he said.

Asked if the US president was being protectionist, the former prime minister said, "I am quite confident the US president's current thinking will not last more than a year or so.

Banks Board Bureau asks PSBs to identify senior bank officers who can be groomed for top post

BY , ET BUREAU | SEP 26, 2017

The Banks Board Bureau (BBB), headed by former Comptroller & Auditor General Vinod Rai, has asked all state-run banks to identify senior-level bank executives, who can be groomed across functions to prepare a pipeline of leaders to take over as managing directors and chief executives in future.

The move is a part of the government's efforts to overhaul human resource practices in public sector banks. "We have been asked to identify officers at deputy general manager level, who will be mentored by the BBB.

Such identified officers will move across all verticals such as IT, HR and operations within the bank for a period of one year," said a government official aware of the developments.

A senior bank executive, who is privy to this information, said the BBB was not satisfied with the current level of expertise among the top executives in PSBs. "The shortlisted candidates for the top post or at executive director level did not have enough experience across all verticals.

It was felt that banks themselves should identify performing candidates and accordingly they will be mentored by the BBB," this official added.

The government set up the BBB in February 2016 with a mandate to recommend candidates for the top posts at state-run banks and financial institutions. Last year, the government expanded its role to also help banks in their capital-raising plans and develop business

SBI reduces minimum balance limit to Rs 3,000; revises down maintenance charges

Minimum balance for metro and urban stands at Rs 3,000 while semi-urban and rural centres continues to be at Rs 2,000 and Rs 1,000, respectively

Beena Parmar Moneycontrol

State Bank of India (SBI), country's largest bank, has reduced minimum monthly average balance (MAB) on savings accounts for metros from Rs 5,000 to Rs 3,000 and charges for non-maintenance were reduced by 20-50 percent across categories.

Effective from October 1, the bank said it has decided to treat the metro and urban centres in the same category and the requirement of MAB in metro centres stands reduced to Rs 3000.

Minimum balance for urban, semi-urban and rural centres continues to be at Rs 3,000, Rs 2,000 and Rs 1,000, respectively, as per the bank's website.

Charges

For non-maintenance of MAB, the charges have also been revised downward ranging from 20 percent to 50 percent across all population groups and categories, the bank said in a statement.

“The charges at semi-urban and rural centres range from Rs 20 to 40 (from Rs 25-75 currently) and at urban and metro centres from Rs 30 to 50 (from Rs 50-100 currently).

The government bank has also removed charges for non-maintenance of Monthly Average Balance (MAB) for pensioners, beneficiaries of social benefits from the government and accounts of minors.

“This is in addition to the already exempted categories under PMJDY (Prime Minister’s Jan Dhan Yojna) accounts and Basic Savings Bank Deposits Accounts (BSBD),” the statement added.

The bank has a strong deposit franchise having 42 crore savings bank accounts out of which 13 crore accounts under PMJDY / BSBD were already exempted. The above revision is likely to benefit another 5 crore account holders.

Following categories of savings bank accounts are excluded from MAB requirement:

- Small Accounts
- Basic Savings Bank Deposit Accounts
- Financial Inclusion Accounts
- Phela Kadam and Pheli Udaan accounts.
- Minors up to the age group of 18 (Primary Account Holder)
- Pensioners, all categories, including recipients of social welfare benefits

The bank also clarified that customers always have the option of converting the regular savings bank account to BSBD account, free of charge, in case he desires to avail basic savings bank facilities without being subject to maintain MAB.

NIBM to train bankers to deal with NPAs, prompt corrective action

The new ecosystem created by the government to resolve NPAs comprises the Insolvency and Bankruptcy Board of India, NCLT and the NCLAT

By: FE Bureau | Pune | September 26, 2017

According to Dhingra, the total number of participants attending NIBM training programmes had gone up by 93% during the last three years.

The National Institute of Bank Management plans to conduct workshops on the new ecosystem created by the government for resolving ballooning NPAs. NIBM is also going to conduct programmes to help banks under the prompt corrective action (PCA) of the Reserve Bank of India to come out of the PCA and improve their financials, KL Dhingra, director, NIBM, said at the 48th Foundation Day of NIBM. "RBI has put six public sector banks under Prompt Correction Action, which indicates that these banks need to focus on their financials and asset quality. This also puts certain restrictions on these banks. NIBM proposes to conduct specialised courses for the officers of these banks for enabling them to steer their banks out of the PCA, as early as possible," Dhingra said.

The increasing level of NPAs in the banking sector, more particularly of the public sector banks, is a cause of concern for the Centre and it has come up with the Insolvency and Bankruptcy Code 2016 and created the new "ecosystem for resolving the issue of ballooning NPAs", he said. The ecosystem comprises the Insolvency and Bankruptcy Board of India, National Company Law Tribunal and the National Company Law Appellate Tribunal, and bankers need to be trained to work in the new systems. According to Dhingra, the total number of participants attending NIBM training programmes had gone up by 93% during the last three years.

Speaking on 'Regulatory technological and human resource challenges for enhancing effectiveness of Indian banks' at NIBM, Usha Ananthasubramanian, MD & CEO of Allahabad Bank, said the Indian banking sector is at a critical juncture in its evolution and it is now clear that the slump in credit growth and increase in stressed assets has affected the profitability of all banks, and threatens the very survival of

some of them. "Shifts in consumer preferences, combined with changes in technology and regulations, have created a perfect storm," she said.

Ananthasubramanian said the operational risks the banking sector faces due to changing customer expectations and technology and this could cause massive alterations in banking and give it an entirely different profile. Technology has not only been changing customer behaviour, but will also enable new risk-management techniques, often coupled with advanced analytics, she said. Specialised banking has also thrown up a different type of competition. Advanced technology, sleek workforce and hassle-free last-mile delivery are their positives vis-a-vis legacy banks, she pointed out. On the human resource challenges, Ananthasubramanian said the middle-management ranks of banks are being thinned by retirements, which has not been offset with adequate fresh recruitment. Banks need experts in specific areas like project evaluation, treasury, HR and risk management, she said.

AIBEA THIS DAY – 26 SEPTEMBER	
1960	E Krishna Murthy Industrial Tribunals' historic judgment on Grindlay's Bank dismissal cases.
1995	Strike on relativity issues – 6 th bipartite settlement.
2003	National Council of Trade unions meet against supreme court judgment on right to strike
2003	Silver Jubilee Conference of AKBEF K Chandrasekharan Nair, V K Jhony elected President & General Secretary
2007	5 th Parwana memorial lecture – Delhi, Prof. Irfan Habib.



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