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State of economy is deeply worrying, says Manmohan

Urges govt to reach out to 'sane voices and thinking minds' for reviving economy

NEW DELHI, SEPTEMBER 1 BUSINESSLINE

Maintaining that the state of the economy is deeply worrying, former Prime Minister Manmohan Singh urged the Modi government to put aside vendetta politics and reach out to all "sane voices and thinking minds", to steer the country's economy out of the "man-made crisis".

In a statement here on Sunday, the Rajya Sabha MP said that the last quarter's GDP growth rate of 5 per cent signals that the country is in the midst of a prolonged slowdown. "India has the potential to grow at a much faster rate, but all-round mismanagement by the Modi government has resulted in this slowdown," he said.

'Man-made blunders'

Singh said it is particularly distressing that the manufacturing sector's growth is tottering at 0.6 per cent. "This makes it very clear that our economy has not yet recovered from the man-made blunders of demonetisation and a hastily implemented GST," he said.

He noted that domestic demand is depressed and consumption growth is at an 18-month low. "Nominal GDP growth is at a 15-year low. There is a gaping hole in tax revenues. Tax buoyancy remains elusive as businessmen, small and big, are hounded and tax terrorism continues unabated. Investor sentiments are in doldrums. These are not the foundations for economic recovery," he claimed.

The veteran Congress leader added that the Modi government's policies are resulting in massive job-less growth. "More than 3.5 lakh jobs have been lost in the automobile sector alone. There will similarly be large-scale job losses in the informal sector, hurting our most vulnerable workers," he said.

Rural India is in a terrible shape, Singh said. "Farmers are not receiving adequate prices and rural incomes have declined. The low inflation rate that the Modi government likes to showcase, comes at the cost of our farmers and their incomes, by inflicting misery on over 50 per cent of India's population," he added.

'No plan'

Institutions are under attack and their autonomy is being eroded, the former Prime Minister said.

"The resilience of the RBI will be tested after its record transfer of Rs. 1.76 lakh crore to the government, which claims that it does not have a plan on what it will do with this windfall. In addition, the credibility of India's data has come under question under this government," the statement said.

"Budget announcements and rollbacks have shaken the confidence of international investors. India has not been able to increase its exports to take advantage of opportunities that have arisen in global trade due to geopolitical realignments. Such is the state of economic management under the Modi government," it added.

"Our youth, farmers and farm workers, entrepreneurs and the marginalised sections deserve better," Singh said.

Mega bank mergers: A re-think is needed

September 1, 2019

EDITORIAL - BUSINESSLINE

The Centre's forced bank mergers are both ill-timed and poorly thought through

Creating globally stronger banks, doing away with needless overlaps in operations and infrastructure, and ushering in economies of scale to bring down costs have always been at the heart of any consolidation drive. Sadly, none of these compelling reasons have led to the mega public sector bank mergers announced by the Centre, which have brought down the tally of PSBs to 12 from 18. The shotgun weddings brokered by the Centre appear to have been triggered by one reason — to ease the Centre's burden of massive capital infusion into ailing PSU banks. Recent half-hearted attempts at consolidation have also delivered far from desirable outcomes. SBI's bad loan problems only grew bigger after the merger of its five associate banks two years ago. Significant write-offs and persisting slippages have been eating into SBI's profit and capital, impeding credit growth. The merger of Bank of Baroda with Vijaya Bank and Dena Bank last year was a thorny affair right from the start, given the weak finances of Dena. One year on, BOB's numbers only confirm the underlying issues with forced mergers.

Unfortunately, the current round of proposed mergers stands on even weaker ground. Once the second largest PSU bank, PNB, hit by the Nirav Modi scam — the worst-ever banking fraud — is still grappling with scarce capital and fresh frauds. With its own NPAs at over 16 per cent, it is unclear how the Centre expects the bank to subsume the weaker OBC and United Bank. The logic for the merger of far weaker banks — Union Bank of India, Andhra Bank and Corporation Bank — is even more baffling. While the Canara Bank and Syndicate, as also the Indian Bank and Allahabad Bank, mergers involve at least one sturdier party, they come at the cost of debilitating the few stronger PSBs left. What is interesting but alarming to note is that the four mergers appear to have one common thread — bunching up banks operating on a similar core banking solution. Yes, this would ease integration, but has it been the only rationale for the matchmaking?

The Centre proposes to infuse capital into the merged entities based on their size and need. But it's highly unlikely that this will be the last round of capital infusion. Also, the fate of the six PSBs left out of the merger spectacle — some of whom have NPAs of 20 per cent or more — hangs in limbo. The much graver issue is that of finding the right leaders to steer the integration process at these colossal establishments. While the Centre has announced a slew of governance reforms, hoping to make managements more accountable to boards and give longer tenure to key officials to implement plans, these are unlikely to bring about significant structural changes. The move is also singularly ill-timed, with GDP growth plummeting to a six-year low. Turmoil in the banking sector can only hurt growth further.

Why India's mega bank mergers move may not yield the desired results

Mythili Bhusnurmath, ET Bureau | Sep 02, 2019,

THE ECONOMIC TIMES

I am not saying we maintain a Panglossian countenance, that we smile away every difficulty. But, in any real economy, the mood is very important,' observed Reserve Bank of India governor Shaktikanta Das, speaking at an event in Mumbai late August. Sound advice. Sentiment matters. Irrational despondency can be as damaging for the economy as 'irrational exuberance'.

But even the best Pollyannas will find it difficult to smile in the face of fresh evidence from the Central Statistics Office (CSO) that the economy is in deeper trouble than GoI has cared (dared?) to admit so far — GDP grew by just 5%, a 25-quarter low, during Q1 2019- 20. The last time growth slipped to a comparable low was in Q1 2013, when the UPA government under Manmohan Singh was battling charges of 'policy paralysis' following the Comptroller and Auditor General (CAG) report on the coal block scam. Afar from flattering comparison.

Who Moved My News? But whether by design or fortuitously, GoI was saved the blushes. Thanks to finance minister Nirmala Sitharaman's announcement of a mega merger of public sector banks (PSBs), media attention was diverted from dismal growth numbers to bank mergers. Despite the fact that the proposal may have had merit when it was mooted by the Narasimham Committee 27 years ago, it is no longer regarded as the final word on the ideal size of banks. Indeed, one of the biggest learnings from the 2007-08 global financial crisis is that large banks could pose systemic risks that endanger the entire economy. On the contrary, small is beautiful.

That may not gel with the image of a muscular government. But whatever the reason, after the shotgun weddings brokered by the finance ministry, the number of PSBs will shrink dramatically: from 18 as on date (27 in 2017) to around dozen. But as with all mergers, especially those that are board-driven only in name, the cost-benefit trade-offs are far from obvious. The benefits are highly questionable. But the pain and cost are real, and are likely to prove enduring. Ask any Punjab National Bank (PNB) official who lived through the trauma of its merger with New Bank of India back in 1993. Despite the 'common' culture of the two Delhi-based banks, it took years for PNB to recover from the ill-effects of being a reluctant suitor.

Even if one is willing, for the sake of argument, to give the benefit of the doubt to the business rationale of the mergers, there's no getting away from the nagging sense that the timing is most unfortunate. At a time when PSBs across the board should be focusing on revival of bank lending and recovery of bad loans — remember the Insolvency and Bankruptcy Code (IBC) process is yet to stabilise — PSB managements accounting for close to 82% of PSB business and 56% of all bank business will, instead, be engaged in trying to see mergers through.

Tackling a New NPA Take the merger between Chennaibased Indian Bank and Kolkata-based Allahabad Bank. It is a no-brainer that much of management bandwidth in the next few years will be spent trying to make the merger work. True, bank unions are no longer the force they once were, but even so. Caught between outraged cries of 'Cholbe na!' (Won't allow this!) in Allahabad Bank and 'Muddiya du' (Cannot be done) in Indian Bank, senior management of the merged entity will have its hands full. Meanwhile, the more important business of banking will take a back seat. As with the similarly illtimed demonetisation, recovery will suffer a setback.

Unfortunately, GoI seems to be blind to the risks. The need of the hour is higher credit growth. Upfront recapitalisation of PSBs to the tune of Rs 55,000 crore (out of Rs 70,000 crore promised in the Budget) would have spurred credit growth with multiplier benefits for investment and growth. But that's not going to happen if the bulk of the PSB universe is grappling with existential angst. Consequently, even though Sitharaman has largely delivered on her promise to front-load capital infusion into PSBs to 'nudge an additional lending of Rs 5 lakh crore', this is unlikely to happen. At a time when Q1 GDP numbers clearly show we don't have any time to lose, this is akin to shooting ourselves in the foot.

Economists might argue it is important to first analyse the nature of the slowdown — whether it is cyclical or structural, since that will decide the policy response. But it is difficult to disentangle cyclical from structural factors, and as the slowdown continues and reports of job losses become a daily phenomenon, academics must take a back seat. As Deng Xiaoping, noted for opening up the Chinese economy, had famously said, ‘It doesn’t matter if the cat is black or white as long as it catches mice.’

What is clear is that when gross fixed capital formation has been falling quarter on quarter, and the private sector is shy of investing, there is no alternative but for GoI to invest. Ideally by reorienting expenditure towards capital, rather than revenue expenditure. But if that is not possible, by easing up on the fiscal deficit target. And in a bank-oriented economy, by allowing PSBs to support growth by not pushing pointless bank mergers.

Andhra Bank merger: People take to social media, YSRC writes to PM Modi, FM Sitharaman

Common citizens expressed displeasure through social media opposing the merger of Andhra Bank with other banks.

31st August 2019 By PTI AMARAVATI:

THE NEW INDIAN EXPRESS

Andhra Bank (Photo | EPS)

Common citizens on Saturday expressed displeasure through social media while ruling YSR Congress wrote to Prime Minister Narendra Modi and Union Finance Minister Nirmala Sitharaman, opposing merger of Andhra Bank with other banks, saying it hurt the sentiments of Telugu people.

YSRC MP from Machilipatnam, V Balashowry pointed out that the "pride and prestige of Telugu people" was attached with Andhra Bank and merging it with other banks hurt the sentiments of Telugu people.

"Besides, it is recognized world over as a Telugu Bank," he added.

Balashowry, in his letter welcomed the Centres move to consolidate the public sector banks, but said Telugu people have strong reservations on the proposed merger of Andhra Bank with Union Bank of India and Corporation Bank.

"Their reservations are justified. I represent the parliamentary constituency Machilipatnam where the seeds of Andhra Bank were sown by late Dr.

Bhogaraju Pattabhi Seetaramaiah nearly a century ago with an initial paid up capital of just Rs one lakh and authorized capital of Rs 10 lakh.

He said that with the 'strenuous efforts' of staff of Andhra Bank, successive governments and Telugu people, the bank's operations "spread by leaps and bounds" and its business turnover now stood at more than Rs four lakh crore.

He suggested that the name Andhra Bank be retained if the Centre was keen on the amalgamation and locate the new banks headquarters either in Machilipatnam or Vijayawada.

"This is the wish and prayer of Telugu people," the MP added.

Many people from Andhra Pradesh posted messages on Facebook, expressing sadness that Andhra Bank, which "symbolized Telugu pride" would no longer exist.

Facebook users posted pictures of the bank's founder Bhogaraju Pattibhi Seetaramaiah, who was a freedom fighter and the first president of Congress in Independent India, and recalled his services.

"Sad, as AB was a part of history of my hometown Machilipatnam," Facebook user J Umanadh posted, with a newspaper clip of the Union Finance Ministers announcement of the proposed merger of Andhra Bank with Union Bank of India and Corporation Bank.

"It is part of the history of Telugu people," another user remarked.

A retired Central government employee Ramana Rao wrote that "at least the name Andhra Bank should be retained", while another suggested that Bhogaraju Pattabhi Seetaramaiah's picture be displayed in every branch of the (merged) bank.

As the "daughter-in-law of Andhra Pradesh", they hoped, Sitharaman would positively consider their request and retain Andhra Bank's name.

Congress Rajya Sabha member K V P Ramachandra Rao also wrote to the Union Finance Minister, saying the merger of the bank "entangled with the honor of the Telugu people and camouflaging its name permanently hurts their feelings definitely".

"I strongly feel that this at least shall not happen when a daughter-in-law of Andhra state is heading the Union Ministry of Finance. I, therefore, request you to take a firm decision to continue Andhra Bank as a separate PSU or, if merger is inevitable in the interest of national economy, at least retain the name to the new bank as a mark of reverence to Bhogaraju Pattabhi Seetaramaiah and also as a mark of respect to the sentiment of 10 crore Telugu-speaking people,"he said.

The union government had on Friday unveiled a mega plan to merge 10 public sector banks into four with a view to create fewer and stronger global-sized lenders with robust balance sheets that can be used to boost credit and spur growth.

Two Andhra lawmakers write to FM on move to merge Andhra Bank with UBI

In his letter, Rao said Andhra Bank, founded in 1923 by Bhogaraju Pattabhi Seetharamayya, a renowned freedom fighter and associate of Mahatma Gandhi, was the only nationalized bank founded in Andhra Pradesh and was considered the pride of the Andhra people in the last 96 years.

Aug 31, 2019 **Srinivasa Rao Apparasu**
Hindustan Times, Hyderabad

Union Finance Minister Nirmala Sitharaman announced the merger of 10 state-run banks into 4 banks in New Delhi on Friday. Andhra Bank is due to be merged with Union Bank of India as part of banking sector reforms.

The announcement made by Union finance minister Nirmala Sitharaman seeking to merge Andhra Bank with the Union Bank of India as part of banking sector reforms evoked “Andhra sentiment” in the Telugu states.

On Saturday, two parliamentarians – Rajya Sabha member K V P Ramachandra Rao of the Congress and Lok Sabha member from Machilipatnam Vallabhaneni Balashowry from YSR Congress party –wrote letters to the finance minister to drop the plan to merge Andhra Bank with UBI, stating that it would hurt the sentiments of Telugu speaking people.

In his letter, Rao said Andhra Bank, founded in 1923 by Bhogaraju Pattabhi Seetharamayya, a renowned freedom fighter and associate of Mahatma Gandhi, was the only nationalized bank founded in Andhra Pradesh and was considered the pride of the Andhra people in the last 96 years.

“The government might have thought the merger of public sector banks was essential to strengthen the banking system, but merging a bank entangled with the honor of the Telugus and removing its name permanently has definitely hurt their feelings.” He said.

The Congress MP reminded that the people of Andhra Pradesh were already disturbed emotionally following bifurcation of the first linguistic state ignoring their sentiments. They were also agitated with the failure of the BJP government in fulfilling the assurances given to them during the bifurcation of combined AP.

“Now, the government’s decision to wind up Andhra Bank by merging it with UBI will hurt their sentiments. I strongly feel that this at least shall not happen when a daughter-in-law of Andhra state is heading the Union Ministry of Finance,” he said.

In a similar letter to the finance minister, Balashowry said the merger of Andhra Bank with UBI was a very sensitive issue attached to the sentiments of crores of Telugu people. “I request you to reconsider the decision and retain Andhra Bank as a separate public sector bank,” he said.

If the Centre remains firm on its decision to merge the banks, the YSRC MP demanded that the government retain the name of Andhra Bank for the group of banks merged with it, as a mark of respect to Seetharamayya. “At the same time, the headquarters of the three merged banks should be located in Andhra Pradesh,” Balashowry said.

Emotional messages were doing the rounds in the Telugu social media groups in the Telugu states over the merger of Andhra Bank with UBI. “Andhra Bank is the only bank which has the term Andhra. If it is wound up and merged with another bank, it will trigger emotions across the state,” K Ramakrishna, an employee of Andhra Bank in Hyderabad said.

“I am so emotionally attached with Andhra Bank that I opened my first bank account with it. It is sad to know that the bank is going to disappear soon,” J Vasundhara, an old customer of the bank said. “Andhra Bank is a matter of pride for Telugus. It has to continue,” argued P Pavan, another customer.

Members of United Forum of Bank Unions staged protest against Bank merger

Daijiworld Media Network - Udupi, Sep 1:

The members of the United Forum of Bank unions, Udupi unit staged protest in front of Corporation Bank, zonal office here on Saturday, August 31 against the merger of 10 public sector banks into 4.

Shashidhara Shetty, an employee of Syndicate bank addressing the protestors said, "The Union government has taken one party decision by merging banks. It is like the Tughlaq decision. We are strongly opposing it."

"It is a disappointing day for the bank employees and officers working in 10 PSBs of our country. The NDA Government in pursuance of their neo liberal policies has set in motion the merger of 10 Banks into 4 Banks. UFBU has been fighting against the merger of Banks. In response to this merger decision we have decided to hold a powerful demonstration today," Shashidhar added.

Shridhar Shetty said, "It is an unfortunate situation. The Union government has brought in many unhealthy developments that are against the economic system. There is a hidden political agenda behind it."

Another bank employee Manmohan, district president of the banks union questioned, "What is the need to merge. More and more government banks should come up in rural areas. But did they do? In 1969 there were 8000 banks but today there are 19000 more banks in the nation. Earlier State Bank of India got merged but did they benefit from the merger? Six banks will be closed forever due to one decision. The economy is slowing down. Why did the NDA government take such an illogical resolution? Now customers are getting good service. But by merger service will be affected. Merging banks is not a solution to clearing bad debts. Indians do not need big banks. The government is fully aware of the development in the banking sector. It is supporting the corporate sector. This merger will put thousands of bank employees out of jobs. Every year banks are recruiting thousands of workers. But today they are all under threat."

The protestors voiced slogans against the Union government such as 'We oppose merger', 'Hamari thakath is our Union'.

Nithyananda of Karnataka bank, Manoj Kumar of Corporation bank, Ramesh, Supriya of Bharathiya State bank were present.

Varadaraj of Canara bank, Ashok Kotian, Ravi Shankar, Nagesh Nayak, Ravindra, and Jayan Malpe were also present. Herald Dsouza, correspondent of district banks federation organized the protest.

Bad loan cloud over bank mergers

Among the 10 lenders, only Indian Bank has a net NPA ratio of less than 4%

By Our Special Correspondent in Mumbai 2 9.19

The Telegraph
online edition

On Friday, Union finance minister Nirmala Sitharaman had announced the amalgamation of 10 PSU banks into four.

The success of the mega bank mergers announced last week would depend on how the lenders manage their bad loans, analysts said.

On Friday, Union finance minister Nirmala Sitharaman had announced the amalgamation of 10 PSU banks into four. The exercise will see Oriental Bank of Commerce and United Bank of India being merged with Punjab National Bank (PNB); Syndicate Bank with Canara Bank; Andhra Bank and Corporation Bank with Union Bank of India; and Allahabad Bank with Indian Bank.

The finance minister highlighted several benefits of the mergers, but experts feel tackling non-performing assets (NPAs) would be one of the key challenges.

Bad loans are not new in the domestic banking sector and lenders have recovered large sums from defaulters — in 2018-19 alone, as much as Rs 1.21 lakh crore was recovered from them.

However, the main challenge is banks with relatively high NPAs are being merged with an entity that is not in the best of health. Among the 10 lenders, only Indian Bank has a net NPA ratio of less than four per cent New Delhi-based PNB is only recovering from the Nirav Modi fraud and has gross NPAs of over 16 per cent of total assets; the United Bank of India posted a gross NPA ratio of 15.89 per cent. Oriental Bank, which has come out of the prompt corrective action framework, saw its gross NPA level at almost 13 per cent, which will be subsumed into the merged bank. At an initial glance, the gross NPAs (in absolute terms) of the merged entity may even touch Rs 1.1 lakh crore, though the actual number would depend on the recoveries made by the merged banks.

"We view consolidation of PSBs as a big positive as many banks were duplicating each other's business model. Hence, consolidation should enable scale, help reduce cost and lead to more efficiency gains. Although this is a medium-term positive, in the short-run, consolidation may divert the attention of PSBs away from growth towards merger." Sonal Varma and Aurodeep Nandi of Nomura said in a note.

Credit provision

According to Anil Gupta, vice-president, sector head (financial sector ratings), Icra, the amalgamation will require harmonisation of asset quality and provisioning levels among the banks, which may spike credit provisions this year. However, given the capital infusion for the amalgamating banks, the merger is unlikely to be credit negative.

The government has projected that the bank out of the merger of PNB, United Bank of India and Oriental Bank will have a net NPA of 6.61 per cent of assets, based on the numbers for the period ended March 31, 2019. The net NPA stands at 5.62 per cent in Canara Bank and Syndicate Bank and 6.30 per cent for Union Bank, Andhra Bank and Corporation Bank.

The entity emerging from the merger of Indian Bank and Allahabad Bank will have the lowest net NPA among the four mergers at 4.39 per cent of assets.

Bank merger will not help recover bad loans: AIBEA

Chennai, Aug 31 (IANS)

The Rahnuma Daily
A Part of Our Heritage. The Oldest Urdu Daily in India. Est'd 1921

The real agenda of the government in merging banks is to help big corporates as consolidation of the banks will not result in recovery of huge bad loans, said a top official of the All India Bank Employees' Association (AIBEA).

Opposing the merger of 10 public sector banks into four, C. H. Venkatachalam, General Secretary of AIBEA, in a statement issued here said in the name of banking reforms the government is enabling banks to help corporates.

Venkatachalam said that last fiscal the public sector banks posted a gross profit of Rs 150,000 crore. Owing to the provisions towards bad loans, there was a net loss of about Rs 66,000 crore.

According to him, the merger of banks will not result in recovery of bad loans. On the contrary, the merger of five associate banks of the State Bank of India has resulted in increased bad loans.

Pointing out at the Punjab National Bank, that failed to detect the Nirav Modi fraud, Venkatachalam wondered how banks when they become bigger could monitor effectively.

The government on Friday announced a mega plan to merge 10 state-run public sector banks into four large entities to address economic concerns.