AIBEA's Banking News

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Reduction in NPAs of Public Sector Banks due to write-offs (including compromise)

Rs. In crores

Bank	2009-10	2010-11	2011-12	2012-13	2013-14
Allahabad	643	720	1001	1352	82
Andhra	192	150	169	334	263
BOB	515	501	1215	2356	964
BOI	744	880	2415	2415	1767
BOM	236	350	395	663	401
Canara	1290	1050	1460	1535	1591
CBI	294	554	629	1061	1995
Corporation	267	543	565	709	463
Dena	185	196	194	237	479
IDBI	477	884	319	383	1393
Indian	388	590	506	520	628
IOB	389	971	1166	1642	1474
OBC	389	696	933	1416	1252
P & S Bank	81	66	39	50	204
PNB	853	1592	126	997	1947
Syndicate	419	351	891	1297	1025
UCO	371	586	391	617	1423
Union	513	1126	938	1129	913
United	174	415	233	1094	481
Vijaya	479	327	214	543	296
SBBJ	23	166	275	463	399
SBH	71	202	265	343	31
SBI	1990	4007	744	5594	13177
SB Indore	57	0	0	0	0
SBM	20	311	165	275	403
SBP	5	410	120	28	463
SBT	124	152	182	176	196
TOTAL	11189	17796	15550	27229	33710

Bank	2014-15	2015-16	2016-17	2017-18	2018-19
Allahabad	2109	2126	2442	3635	4219
Andhra	1124	814	1623	1666	2280
BOB	1563	1554	4348	4948	13102
BOI	866	2374	7346	8976	7405
BOM	264	903	1374	2460	5127
Canara	1472	3387	5545	8310	14267
CBI	1386	1334	2396	2924	10375
Corporation	779	2495	3574	8228	5989
Dena	515	760	833	661	4672
IDBI	1609	5459	2868	12515	15918
Indian	550	926	437	1606	2872
IOB	2087	2067	3066	6908	7794
OBC	925	1668	2308	6357	6457
P & S Bank	263	335	491	460	1635
PNB	5996	6485	9205	7407	9983
Syndicate	1055	1430	1271	2400	6775
UCO	0	1573	1937	2735	4420
Union	931	792	1264	3477	7771
United	761	649	714	1867	5365
Vijaya	791	510	1068	1539	1518
SBBJ	363	643	1560	0	0
SBH	355	1204	1430	0	0
SBI	21303	15955	20339	39151	58905
SB Indore	0	0	0	0	0
SBM	740	588	161	0	0
SBP	755	1156	3528	0	0
SBT	456	398	556	0	0
TOTAL	49,018	57,585	81,684	1,28,230	1,96,849

The total reduction in Non-Performing assets since 2009-10 till the financial year 2018-19 due to write-offs amounted to Rs. 6,18,840 Crores.

Source: Lok Sabha Questions and Answers

Corporate Loan write off – open loot of people's money and daylight robbery of national savings - AIBEA

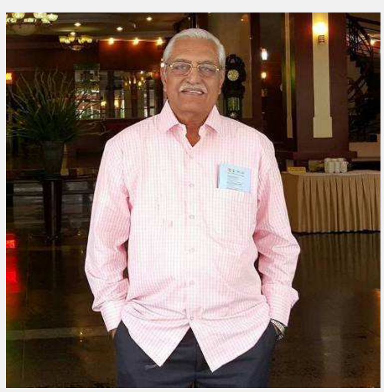
Bank merger an unwarranted move: All India Bank Employees Association to TNM

In an interview with TNM, CH Venkatachalam speaks about why bigger banks need not mean stronger banks and his thoughts about cash transfer to the government from RBI.

Megha Kaveri, The NEWS Minute Wednesday, Sept 4, 2019

The Finance Minister, on August 30, announced a mega-plan to merge ten public sector banks into four large ones. The intention of the merger is to create large global lenders to boost economic growth in the coming years.

But the announcement was met with mixed reactions. Bank employees from across the country opposed the move by taking out protest rallies and wearing black badges to work.



CH Venkatachalam

CH Venkatachalam, General Secretary of All India Bank Employees Association (AIBEA) and a retired banker with 40 years of service in a public-sector bank spoke to The News Minute about the merger plan, its implications and more.

- ***What do you think about the bank mergers? Why are bank employees objecting to it?***

Firstly, this is the most unwarranted move and comes at a wrong time. Banks become bigger when merged, and this might not necessarily result in stronger banks. If one weak bank is merged with another weak bank, the resultant bank is also going to be weak. If one weak bank is merged with a strong bank, the resultant bank will be less strong. Hence this theory does not stand as a justification for merger.

Secondly, big banks always have big risks. Examples for this can be banks in the USA. Bigger the risk, bigger the fall could be when something goes wrong. In India, we need stronger banks and not bigger banks, since banks represent ordinary people’s money. And for that we need smaller, stronger banks. Common people cannot afford to take the big risks that bigger banks take.

Lastly, the government’s priority currently should be revival of the economy. Banks are extremely important in economic revival and need to focus on pushing development. Instead, due to this merger, the banks are going to be tied up in merger activities for the next 9-12 months.

Due to the merger, the banks will also not worry about recovering loans because their banks will anyway merge with some other bank.

- ***Apart from economy, what other major implications do you see from the merger plan?***

Another implication from this merger would be loss of employment for the bank staff. We saw this in the State Bank of India merger. The merger caused 7,000 bank branches across the country to shut down.

In the current economic climate, the government is supposed to expand banking operations, instead of closing it down. If the number of branches is reduced, the burden of servicing the same number of people falls on a lesser number of branches. This will severely impact the quality of services that banks offer.

When bank branches are shut down, as per the promise of the Finance Minister, bank employees will be displaced, and bank branches will be rationalised. When an employee has family commitments tying him or her down to a city or town, forcing them to go elsewhere will create pressure on them to resign their jobs. So even if the Finance minister wants to keep jobs intact, she cannot ensure it.

- ***Non-Performing Assets (NPAs) have been a talk point in the recent past. How can banks minimize NPAs?***

The only way to reduce NPAs is to recover them.

For every 100 loans banks give, four or five tend to go bad. This is a risk that banks are willing to take. But banks must be careful while giving out loans since the money is from people who have accounts in that bank. Hence, they must ensure that the risk of losing that money is minimum.

I can understand when an agricultural loan or education loan or even a housing loan going bad, but a bulk of the NPAs are loans given to corporates. The banks are supposed to act tough against defaulters and file criminal complaints against such big borrowers.

Also, in recent times, the focus of the banks has shifted from recovery to resolution. This is helping big corporate companies to buy off smaller debt-ridden companies by paying a fraction of the original value, because banks are happy getting something instead of nothing. Examples of this would be Tata Steel buying Bhushan steel and Reliance acquiring Alok Industries. Finance Minister saying that banks have recovered 1 lakh crore rupees from NPAs is to be placed in context. Of the Rs 4 lakh crore debt, they have recovered Rs 1 lakh crore. That is a mere 25% of the outstanding amount of NPAs.

- ***The RBI has recently asked to transfer Rs 1,76,000 crore from its reserves to the central government. Your thoughts on it?***

The Reserve Bank of India (RBI) is a body that is supposed to be autonomous in its functioning. This means nobody can interfere with its management and decisions. This decision to transfer the excess reserves of RBI to the government is, in a way, forcing RBI to take risks.

RBI generally uses its reserves to attend to emergency situations in the economy. By this decision, the government has effectively told RBI to somehow transfer the extra cash it has and keep only the bare minimum required.

At a time when the economy is fluctuating so much with GDP and production falling and inflation going up, RBI should have some fallback options. Instead, the government is emptying its. Hence RBI's ability to intervene to stabilise the economy will be very less. That is risky for the country. It is totally wrong.

When jobs plummet, so will growth

Arun Maira | September 04, 2019 BUSINESSLINE

The economy is down because incomes are not growing at the bottom of the pyramid. We need more jobs with social security

The numbers are in and uncontested this time. The growth of the Indian economy, until recently celebrated as the world's fastest, has slumped to only 5 per cent. Alarm bells ringing, the government's fire-fighters are out.

The government wants investors to invest more, to grow the economy to $5 trillion. With capacity utilisation low, and demand falling in many sectors — automobiles, tractors, and even biscuits — the investors' rationality is over-powering animal spirits. Economists are debating whether the Indian economy is in cyclical decline, or whether there is a deeper structural problem. The Periodic Labour Force Survey data for 2017-18 released by the National Sample Survey reveals the structural problem.

Income disparity

People in India cannot buy more because they are not earning enough. Therefore, business sales are not growing. People are not earning enough because the economy is not generating enough good jobs to provide adequate, sustainable incomes. Alarmingly, the Labour Force Participation Rate — the numbers of people at work, and those seeking work — has declined from 54.9 per cent to 49.8 per cent between 2011-12 and 2017-18, in a country which expects to obtain a demographic dividend from a large workforce. The numbers tell us that 75 per cent of those employed are self-employed or have casual wage employment. Casual workers (24.9 per cent of the workforce) earn less than ☐9,750 per month, the figure recommended by an Expert Committee as the minimum income for decent living. Self-employed workers (52.2 per cent) earn hardly more than the minimum required. Only 25 per cent of the workforce with "regular wage and salary (RWS)" employment earn more than enough for their minimum needs. However, with the trend of "flexibilising" the workforce to make it easier for business, the share of RWS workers without secure contracts has increased from 64 per cent to 71 per cent between 2011-12 and 2017-18. Their employment and earnings have become more vulnerable too.

The Indian economy is caught in a structural trap. The precarity of incomes of over 90 per cent of Indian workers, including those self-employed, is dragging down the growth of the economy. Investors want businesses to make profits. Businesses want more sales. For this, people must be enabled to buy more. A principal attraction for investors from abroad is the potentially huge market in India. When the growth of this market slackens, they become less interested to put their money in India. The engine of growth of the Indian economy lies within India, not in demand in foreign markets. The Indian economy is spluttering because incomes are not growing at the bottom of the pyramid.

Prime-time policy solutions to the Indian economy's problem will not solve this structural problem. Many economists and big business lobbies advocate more freedom from labour regulations to release the animal spirits of investors. They want the market to set wages. They want more freedom to fire workers. The fact is, prevalent labour laws apply to less than 3 per cent of all workers in India — those in regular, salaried employment in larger enterprises. Over 50 per cent are self-employed workers, who are free to fire themselves. Above them sit a large number of tiny, informal enterprises, who employ up to 10-20 workers, and are not unencumbered by laws on hiring and firing. These enterprises, who are the largest employment generators, are not able to grow, though they would want to, because they have other problems — access to low-cost finance, access to markets, etc. Political energy should be applied to solve their real problems, rather than being wasted on easing laws for firing workers, which could be a problem for larger enterprises.

Employee security

One labour-related reform that is accurately targeted at the structural problem of the Indian economy is a comprehensive reform of social security systems. Fiddling with the present schemes of provident fund, gratuity, etc, provided through employers will not do. Most Indians do not have formal employment contracts. With the growth of the gig economy, their numbers will only increase. Citizens need a good social security system to help them tide over exigencies in their lives — medical emergencies, disabilities etc, as well as for periods of loss of employment and incomes, which will become more frequent when employment is left only to market forces. The structural problem of the economy that makes it difficult to finance universal social security is the paucity of resources with the state. The state is reluctant to raise taxes on rich people and large corporations to provide universal social security because it would dampen investors' spirits. Therefore, the Indian government has to steer sensitively between the demands of investors and the needs of citizens to devise an adequate, and viable social security system.

Human resources

A break-through out of this conundrum would be the development of business models that align workers' and owners' interests. Human workers are an enterprise's only asset that can appreciate its own value if it is motivated to learn and improve. While the value of all other assets depreciates over time, human beings are appreciating assets. Moreover, motivated workers can improve the productivity of other assets used in the business also — machines, materials etc. However, conventionally, human workers do not even appear on the asset side of an enterprise's balance sheet. They appear as costs in the P&L account. Laws that make it easier for businesses to fire their workers weaken the bond between owners and workers. A business can trim costs in the short term, but with less motivation to invest in employees' learning and skills, the longer-term competitiveness of the enterprise suffers.

India is short of petroleum, water, land, capital and other resources compared to the size of its population. The only resource India has in abundance compared with all other countries is human beings. Smart business models should use more human beings for competitive advantage. The government should nudge businesses in India to do what is in their best interests, and in the national interest too, by providing incentives to employ and develop more people within their enterprises, rather than announce tax incentives for more capital. When more Indians earn, and earn more, the domestic market will grow and make investments in India attractive for Indian and foreign investors. That way, a downward structural spiral in the economy can be turned into an upward one.

Through The Billion Press. The writer is Chairman, HelpAge International.

Is the slowdown cyclical or structural?

Ashima Goyal | September 01, 2019, BUSINESSLINE

Short bursts Continuous reforms, rather than a big bang, will improve matters - Getty

It's both — but the worst is over. Monetary policy is accommodative, liquidity is in surplus and government spending will pick up

The slowdown is cyclic, aggravated by a focus on structural reform, that neglected responding to a slowdown in industry and investment evident since 2011. There were structural features, such as constraints in agriculture, that kept food inflation high. But industry paid a disproportionate and unnecessary cost, since real interest rates were raised to the highest-ever historical levels to fight food inflation, for which their effectiveness was limited. The financial sector and foreign investors favoured the conservative monetarist stance, because they value macroeconomic stability, but perhaps they did not realise that excessive tightening also creates risk in Indian conditions. Growth that was lower than potential for almost a decade hurt investors also. Despite the noise about deficits and inflation, research shows that the country ratings are most strongly associated with per capita output, which depends on growth.

As real appreciation and high interest rates damaged domestic industry, the economy's import dependence increased. As oil import dependence sets a floor to rupee depreciation, stimulating domestic demand and reducing supply costs to maintain the Indian industry's export competitiveness is particularly important.

Tight liquidity

High real interests aggravated and sustained NPAs. Highly leveraged firms find it difficult to repay, more so if earnings fall since demand is kept low. An asset quality review cannot help when assets keep deteriorating. The decision to keep durable liquidity in deficit since 2011 aggravated matters. The deficit often became too large, since the Indian economy is subject to large liquidity shocks, for example from movements in foreign capital. Cash leakages are higher in tight liquidity conditions. Short-term liquidity available in the LAF was not an adequate substitute.

No offset for external shocks or short-run structural reform costs meant any fledgling recovery was short-lived. Those who question the Indian GDP estimates find it puzzling how growth reached 8.2 in the year after demonetisation. But this was precisely the period when banks and mutual funds were flush with funds, which they lent to NBFCs who on-lent to firms and consumers. The availability of liquidity was an important growth enabler. By 2018, durable liquidity had become tight again, partly due to foreign outflows. It was unfortunate that this tightening coincided with the problems in IL&FS, that severely constrained funding to NBFCs. The current slowdown started in the second half of 2018, with the tightening of aggregate and sectoral liquidity. It follows that a reversal can ameliorate it.

Moreover, government spending in the second half of 2018-19 was lowered by about 2 per cent of the GDP in order to meet fiscal deficit targets. This government tends to front-load spending and to spend more in the first half of a fiscal year. Private investment also slowed, partly due to pre-election uncertainty, while the global slowdown affected exports. Falling incomes, as well as credit, slowed consumption.

The liquidity deficit turned surplus only in June, after one year. The long squeeze had left pockets empty. There were hardly any real estate transactions. The consumption and growth slowdown is not surprising.

Change in monetary policy

The good news is that these conditions are changing. Monetary policy has finally become accommodative, liquidity is in surplus, many schemes are making it easier for NBFCs to get liquidity, and there are signs the government is front-loading spending again since July. The transfer from the RBI is only 0.75 of the GDP, but can help jump-start planned spending through a rise in money supply, without forcing the government to borrow ahead of revenues and thus raise G-Sec interest rates. The Finance Commission may relax the FRBM to enable counter-cyclical spending. Privatisation can transform government assets into infrastructure, which has more spillovers. For the first time after the global financial crisis, monetary policy is loosening to counter an external shock and the exchange rate has depreciated to competitive levels. The festive season should see some cheer. If real interest rates come down, the drag on demand, in place since 2011, would dissipate.

The reversal in macroeconomic tightening is sustainable because of the softening of three key structural constraints: A surplus in agriculture, together with soft global prices, will keep food inflation low. Also, the changing dynamics of global oil markets is likely to keep oil prices, and India's import bill, manageable. Third, a functioning bankruptcy code, so that promoters cannot pass on all their losses to the taxpayers, makes fuller recapitalisation of banks possible. The robustness of regulation and corporate governance has steadily improved. Bankers also have greater safeguards against arbitrary prosecution. Banks have recovered some money, NPAs have bottomed out and credit growth shows signs of picking up.

Calculated reform

The traditional-reform lobby sees land-labour reforms as necessary for growth to revive. Those are the structural constraints they highlight. But structural reform cannot reverse the growth slowdown, since it has long delivery lags and large short-run costs. Reforms are required to bring down costs of doing business and improve productivity, but they need to be done continuously and unobtrusively, not as a big bang that creates resistance and spends political capital. The focus has to be on feasible, least-cost reforms that deliver fast.

Apart from preponing spending, some relief and confidence-building is possible for stressed sectors. Relief for sectors that have large spillovers on the rest of the economy can have the same effect as a macro stimulus. But such relief should be consistent with long-run reform. Ministries are working on packages with these features, after brainstorming and stakeholder consultation. These are being announced in quick succession, showing a willingness to listen and respond. However, more has to be done for bridge financing to the real estate sector, since banks will be busy with mergers. Otherwise, unfinished projects will then add to NPAs, while preventing possible homebuyers benefit from lower home loan rates and tax breaks. Co-lending with NBFCs and banks has potential, since the first can better assess credit risk and mange operational aspects, while the second have the funds. Foreign equity can also be leveraged.

The Economic Survey asks for a big bang rise in investment, using foreign triggers. But these are scarce in a global slowdown. They may not be irreplaceable, however. Small changes in the right direction can cumulate to tip the economy to a higher growth path. An investment GDP ratio of 32 is not low. If the propensity to spend rises marginally above that to save, it can raise growth, jobs, incomes, taxes and savings, as in past Indian high-growth cycles. For that, credit has to rise and the financial system has to deliver safely. As the government improves the supply side, monetary policy has to stimulate demand.

The writer is Professor, IGIDR, and Member EAC-PM

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

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

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in