Vol. 40 No. 9 Total 12 Pages BANGALORE Single Copy Rs. 3/- DECEMBER - 2021

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Editorial

SALUTE TO UNBREAKABLE RESOLVE

The announcement of Hon'ble Prime Minister on 19th November, 2021 to repeal the three contentious farm laws vindicated the fact that "The Streets can Undo, what the Parliament Can Do". The year-long struggle of the farmers had demonstrated their 'ATOOT HAUSLA' (Unbreakable Resolve) braving the cruel winter, scorching summer heat, torrential rains of the capital, high pollution, and the pandemic in compelling the government to blink and announce that said farm laws introduced through ordinance and put into statute book by-passing all accepted cannons of parliamentary democracy, would be repealed. We will not be doing proper justice if we simply state that "Salute To The Spirit Of Our Food Givers." We can only justify ourselves by taking a leaf from their saga of struggle and halting the move of privatisation of the public sector financial sector space in general and that of public sector banks in particular.

Free market economists supported the farm laws, as they supported all moves for privatisation in the belief that they would augment income and productivity. Unfortunately, the problem with the farm laws and all the economic reform measures deceitfully introduced by the government how they were drafted passed in the parliament or even the parliament was by-passed. It was implemented without ever realizing the consequences thereof. Implementing various measures and the brutality with which the protests were subsequently met was a gross violation of democratic procedure and practice.

Unilateral decision making, which affects millions of Indians, had been a hall mark of this government ever since it assumed office in May 2014. It fails to appreciate that a top-down, one size fits all framework is particularly unwise in every sphere of economic activity given the enormous diversity of our country both in terms of development and the state of the economy ravaged as it was by the Covid-19 pandemic and its impact post lockdown. This is so unfortunately true for agriculture with such ecological diversity in our country and the decision of demonetization, merger, and now privatisation of banks in stark neglect to the prevailing grim ground-level realities.

When the farm laws, the merger of banks, wholesale privatisation decisions under the guise of the National Monetisation Pipeline were taken, the sensible thing would have been for such far-reaching measures to be implemented would have been to refer such decisions to domain experts and seek their opinion in refining and improving them. Apart from domain experts, the stakeholder should also have been involved in the process. This precautionary measure was not undertaken, which is, however, the hallmark of the present regime.

The hallmark of the farmers' protest was that they were admirably non-violent and democratic in face of a savage response from the administration. Those marching to join the protest were met with water cannons, spikes on roads, and an internet shutdown. This direct repression by the state was complimented by a vitriolic campaign by "Godi Media" which resorted to character assassination of the agitators branding them as anti-nationals. The farmers, however, remained undeterred and unfazed. Several hundred farmers died, the most gruesome being the incident at Lakhimpur Kheri. There are posts on social media that has hailed the withdrawal of the farm bills as a significant setback for the ruling dispensation. Such a verdict is premature. Even amongst economists, there is no consensus on whether the farm laws as they stood were drafted carefully enough.

Moreover, even if the ends were allegedly noble, they do not justify the altogether ignoble means they were sought to be reached. The withdrawal of the farm laws was therefore, a triumph for the force of truth against arrogance and hubris. It is a rare, partial, and perhaps reversible victory of democracy over authoritarianism but a victory nonetheless.

The victory of the farmers is a great lesson for our struggle. We have to remember that we have deliberately used the word that perhaps it is a reversible victory. The victory will be irreversible if and only if the victory of the farmers is reinforced by unleashing a series of struggles with comparable determination and sacrifice by the working people. In the last two years, parliament has passed four labour laws:

i) The Minimum Wage Code Bill;
ii) The Operational Safety, Health, and Working Condition Code;
iii) Social Security Code; and
iv) Industrial Relation Code.

The Wage Code merely provides a threshold floor level wage, not a minimum wage. The Wage Code is full of ambiguity, and this is why we have to settle our wage negotiation within the ambit of bilateral structure, by-passing the lofty but hazy fallout of the Wage Code Bill. Similarly, all the other three labour codes are for the benefit of the owners. They would deprive the workers in the organised and unorganized sector of whatever relief they are enjoying today. In the long run, it will also affect the organization and the service condition of the bankers. We are faced with the additional threat of privatisation, and the so-called merger has virtually put the Indian banking system into a toss. The brunt of such an unplanned decision of demonetization or merger has been borne by the bankers, and they had to lay down their lives as a direct fallout of such a disastrous decision. Let us also remember the sacrifices made by the bankers while extending customer services during the days of the pandemic when hundreds of our colleagues lost their lives.

Against this backdrop, AIBOC gave a clarion call for 'BHARAT YATRA' from 24th November to 29th November, 2021 converging in a mammoth all India protest rally of officers' in the national capital on 30th November, 2021. We have to appreciate that the threat of privatisation of banks, the so called National Monetisation Pipeline, the withdrawn farm bills are all part of an ecosystem that identifies national priorities with the private profit. Bharat Yatra will highlight not only the battle of the confederation but will also the aspirations of the senior citizens to have a decent interest rate on his lifetime savings. It will highlight the need of concessional credit for the farm sector freeing them from the clutches of the new age moneylenders in the guise of micro-finance organisations. Bharat Yatra will climax in demanding i) credit flow to MSME and other priority sectors, ii) need base credit support to students and youth and iii) cap it all with improved customer services, leaving behind the legacy of distortions in banking services created over the years by the ruling regime to prepare the ground for privatisation.

Let us not forget that we do not know what is in store but we now know it for certain that the ruling establishment is harbouring a fear first time since 2014 where they are realising that their entire game plan can be vanquished. It is with this resolve, we have to hit the streets on 24th November to ensure that that there is no looking back till the victory is snatched.

March on comrades,
#NationAgainstPrivatisation
#StrikeHard
#PowerofUnity
#BankBachaoDeshBachao ■

PRESS RELEASE:

We are reproducing the full text of AIBOC Press release on Bharat Yatra to oppose bank privatization which started on 24th November, 2021. The Press release will explain the background of Bharat Yatra and can be freely used by our readers in the ongoing struggle to oppose privatization in the banking industry.

BHARAT YATRAS TO OPPOSE BANK PRIVATISATION TO START FROM NOVEMBER 24 "BANK BACHAO, DESH BACHAO" RALLY AT JANTAR MANTAR, NEW DELHI ON NOVEMBER 30

All India Bank Officers' Confederation (AIBOC), the apex organisation of bank officers in the country, is organising Bharat Yatras from different parts of the country, to mobilise public opinion against bank privatisation on the eve of the winter session of parliament. The Bharat Yatras will culminate at a ***"Bank Bachao, Desh Bachao"*** Rally in New Delhi on November 30th, 2021. Leaders of the farmers movement, trade unions, political parties and people's organisations have been invited to the ***"Bank Bachao, Desh Bachao"*** Rally. While the general insurance act has already been amended in the monsoon session of parliament, it is widely anticipated that the Government will be introducing amendments to the Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970 and 1980 and the Banking Regulation Act, 1949 in order to pave the way for bank privatisation as announced by the Union Finance Minister in the Union Budget 2021.

Why to Oppose Bank Privatisation?

Bank Privatisation will Weaken the Security of Bank Deposits: Individual bank deposits in India totalled around ₹ 87.6 lakh crore in March 2021. Of this, ₹ 60.7 lakh crore, i.e. around 70% were under the custody of the Public Sector Banks (PSBs). Clearly, Indian depositors prefer the safety and security of the publicly owned banks. Bank privatisation would remove the sovereign guarantee behind the banks and make the deposits less safe and secure. The FRDI Bill which was tabled by the Union government in 2017, but later withdrawn because of public backlash, was also aimed at removing the sovereign guarantee behind the PSBs.

Bank Privatisation will Squeeze Credit Flow to Farmers, Small Businesses & Weaker Sections: Over 60% of the total credit to the priority sector; i.e. small and marginal farmers, non-corporate individual farmers, micro-enterprises, self-help groups and weaker sections like the SCs, STs and minorities; is provided by the 12 PSBs and the 43 Regional Rural Banks sponsored by them. Private and foreign banks have been meeting shortfalls in their 40% priority sector lending target in net bank credit by buying Priority Sector Lending Certificates from the PSBs and RRBs. Privatisation of PSBs would adversely impact credit flow to the priority sector.

Bank Privatisation will Exclude Poor & Rural Customers from Banking: Less than 3% of the 43.8 crore PM Jan Dhan Yojana accounts have been opened by the private sector banks till date. 31% of all PSB branches are in the rural areas, while rural bank branches account for only around 20% of private sector branches. This is because private

THERE HAS TO BE EVIL SO THAT GOOD CAN PROVE ITS PURITY ABOVE IT

sector banks cater more to the affluent sections and disproportionately concentrate their resources in the metropolitan areas because of their narrow focus on profitability. Privatisation of PSBs will adversely impact financial inclusion.

Bank Privatisation will Bring Back Bank Failures: India did not have a single public sector bank during independence. Rather, there were over one thousand private and cooperative banks. Between 1947 and 1955, there were 361 cases of bank failures, with many depositors losing their life savings along with their faith in the banking system. That was a major reason why banks were nationalised in India. First the SBI was created through the nationalisation of the Imperial Bank in 1955. Subsequently, 14 more commercial banks were nationalised in 1969 and 6 more in 1980, creating a state-dominated banking sector in the country.

With bank privatisation, the problems associated with the pre-nationalisation banking era, especially misallocation of bank credit and frequent bank failures will resurface. All the banks which have failed in the recent times, namely the Yes Bank (2020) and Lakshmi Vilas Bank (2020), or the Global Trust Bank (2004) were private sector banks. Private sector NBFCs like the IL&FS and DHFL have also collapsed in recent times. In contrast, not a single PSB has failed till date.

Bank Privatisation will Weaken the Banking Sector & Reward Crony Capitalism: Annual bank credit growth in India has fallen over the past ten years. This slowdown in bank credit growth is mainly on account of the heavy financial losses suffered by the PSBs. Between 2011-12 and 2020-21, ₹ 29.5 lakh crore worth of Non-Performing Assets (NPAs) have accumulated in the banking system in total, with the PSBs accounting for ₹ 22.8 lakh crore, i.e. 77% of the total accretion of NPAs. Despite writing off ₹ 8.07 lakh crore worth of PSB's NPAs between 2014-15 and 2020-21, the stock of NPAs with the PSBs still stood at over ₹ 6 lakh crore in end-June 2021.

The losses made by the PSBs are mainly contributed by the large corporate borrowers. Over 13% of all advances made by the PSBs to large borrowers have turned into NPAs. Moreover, cases of bank frauds have increased very sharply in the recent years, with over ₹ 4 lakh crore worth fraud cases detected between 2017-18 and 2020-21. The central government has failed to bring the perpetrators of the big-ticket loan frauds to book, like Vijaya Mallya, Nirav Modi, Mehul Choksi, Jatin Mehta, etc.

Privatisation of the PSBs would imply selling the banks to private corporates, many of whom have defaulted on loans from the PSBs. The growing NPAs and frauds in the private sector banks show that these occur independent of bank ownership. Far from offering any solution to the NPA problem, PSB privatisation will only reward crony capitalism.

Bank Privatisation will Shrink Employment Opportunities, Especially for SC/ST/OBCs: PSB mergers have already set in motion the process of employee retrenchment and bank branch closures. Total employee strength of the PSBs has fallen from 8.44 lakh in March 2018 to around 7.7 lakh in March 2021. The total number of PSB branches declined by 3321 between March 2017 and September 2021. PSB privatisation will accelerate these trends, which will shrink employment opportunities for the youth, particularly for the SC/ST/OBC sections, because unlike the public sector, the private sector does not follow reservation policies for the weaker sections.

Privatisation of Public Sector Enterprises: Retrograde Policy: The government's move to privatise banks is part of its policy of privatisation and 'strategic disinvestment' of almost all public sector enterprises. Since 1991, successive governments have sold government equities worth ₹ 5.30 lakh crore till date. Out of this, disinvestment and privatisation worth ₹ 3.75 lakh crore i.e. 70% of total, were undertaken since 2014-15, under the present government's tenure.

The 'National Monetisation Pipeline' developed by the NITI Aayog intends to sell off/lease public sector assets worth ₹ 6 lakh crore to private corporates in the next four financial years, from 2021-22 to 2024-25. The shortlisted assets include National Highways, Trains, Railway Stations, Power Generation and Transmission, Oil & Gas pipelines, Telecom infrastructure, Mines and Minerals and others. This wholesale privatisation of infrastructure assets under the garb of 'asset monetisation' is accompanying the disinvestment and strategic sale of PSEs across several sectors. This disastrous path of selling family silver is against national interest.

The Report of the 15th Finance Commission (2021-26) noted that India's general government revenue to GDP ratio at 17% is the second worst among the G 20 countries. Centre's net tax revenue to GDP ratio fell from 7.3% in 2017-18 to 6.7% in 2019-20 and 6.9% in 2020-21. Beside economic recession, the substantial cut in the corporate tax rate in September 2019 has contributed to fall in revenue mobilisation. The need for disinvestment of CPSEs would not have arisen, had the direct tax and other revenue mobilisation efforts of the government yielded results. The fact that the government is choosing the softer option of selling national assets rather than mobilising taxes from the rich and affluent sections of society, particularly the billionaires who have grown immensely wealthier through the stock market bubble, expose its class bias.

Appeal to the People: We appeal to the people of India to rise up against the government's retrograde policy of selling out our public sector enterprises, which form the backbone of our national economy. We appeal to the millions of small depositors of the PSBs, the farmers, MSMEs, Self-Help Groups and loanees from the weaker sections of society, to rise up against bank privatisation, which will harm their interests. We appeal to all civil society organisations, farmers' and workers' unions, political parties and other stakeholders of our democracy to join and support our movement in defence of the PSBs, and public sector enterprises in general. Together, we shall defeat the policies of privatisation.

Sd/-

(Soumya Datta)

General Secretary

ECONOMY

A debate is raging both in mainstream and social media about the so-called technical glitches in the system of IndusInd Bank, enabling them to under report non-performing assets, which might have ensured net profit in their unaudited standalone financial results for the quarter ending on 30th September, 2021. This is a classic example of the so-called efficiency of new generation private sector banking. We are only worried about the depositors and other stakeholders of the bank. This also showcases the real face of so-called private sector banking and its consequential impact on the entire banking system. An article by Hemindra Hazari, an independent banking analyst, is reproduced herein below for the benefit of our readers with due acknowledgment to the author and 'The Wire', an independent news portal.

INDUSIND BANK IMBROGLIO: EVERGREENING OR JUST PLAIN OLD INCOMPETENCE?

The bank's official explanation of a technical glitch needs to be examined, by the RBI, which should commission a probe.

On November 5, 2021, the auspicious day of the Hindu New Year, the Economic Times burst a firecracker of a news story on IndusInd Bank. The story cited whistle blowers (a group of anonymous senior employees), who alleged that the bank's microfinance subsidiary, Bharat Financial Inclusion (BFIL), carried out large-scale evergreening of loans in 80,000 accounts in May 2021.

THREE THINGS CANNOT BE LONG HIDDEN: THE SUN, THE MOON AND THE TRUTH

Evergreening is the improper practice of giving new loans to help delinquent borrowers repay old loans.

Crucially, the ET story also disclosed for the first time that M R Rao, the non-executive chairman, BFIL, and formerly its CEO, had resigned on September 15, 2021.

His resignation letter specifically stated: "...I am aware that RBI [Reserve Bank of India] has raised issues with respect to BFIL particularly the 80,000 loans given in May 2021, without customer consent. This is a point on which I expressed deep concern in the board and in fact demanded a third-party audit too. To me it appears to be not a process lapse but a deliberate act to shore up repayment rates. I had warned the board too about the serious consequences..."

In response, IndusInd Bank issued a statement to the stock exchanges denying evergreening, but admitting to disbursing nearly 84,000 loans without customer consent. However, the bank attributed it to a technical glitch that was detected and rectified. It said only 26,073 clients were active, with outstanding loans of only ₹ 340 million.

Unfortunately for IndusInd Bank, the stock market rejected the management's explanation, and shareholders lost ₹ 94 billion (US$ 1.3 billion) in market capitalisation.

Assuming IndusInd Bank's explanation to be credible, it highlights the high operational risk in the bank, as it implemented a technology upgrade in its end-to-end digital customer loan disbursal system with inadequate testing.

Shockingly, it appears that in the 'upgrade', the key customer approval stage was bypassed in disbursing loans. Worse, in the bank's detailed explanation, there is not a single reference to accountability. Nobody is held responsible for the huge reputational loss to the bank and the US$ 1.3 billion loss to shareholders' market capitalisation.

Such misconduct in any bank is unacceptable. This analyst had earlier highlighted the IndusInd Bank's board of directors' high level of tolerance for incompetence in the bank's corporate credit and risk management divisions. The culture of lack of accountability for senior executives appears to be widespread in the bank.

With such a loss of credibility, only an RBI inspection and/or a forensic audit authorised by the banking regulator can unearth what exactly happened in IndusInd Bank, as the market has discarded the bank's explanation.

Discussing the 1QFY2022 results on July 27, 2021 with analysts, Sumant Kathpalia, CEO, IndusInd Bank, deceptively remarked, "Bharat Financial Inclusion has maintained industry leading performance..." Not only did IndusInd Bank not disclose the "technical glitch" which happened on May 21, 2021, but it appears the bank considered disbursing loans to 84,000 customers without their consent as a contributing factor to BFI's "industry leading performance."

It was only on November 5, 2021, when Economic Times published a story of BFIL disbursing loans to 80,000 customers without their consent, allegedly for the purpose of evergreening, that shareholders became aware of this issue. The next day IndusInd Bank released a press statement followed by an analyst call, denying that the bank does evergreening. However, the statement did admit that, on account of a technical glitch, the bank had disbursed loans to nearly 84,000 accounts without their consent.

This, they claimed, was discovered by field staff within two days, and the glitch was rectified. By September 30, 2021 only ₹340 million was outstanding, which was 0.12% of the portfolio.

In an interaction with this analyst, IndusInd Bank clarified that the loan disbursal systems are end-to-end digital in BFIL, without any manual intervention. In April, BFIL implemented a technology upgrade to its system. The biometric verification is sought for customer approval for the loan, and when it fails, a One Time Password (OTP) is sent to the customer's mobile, which is then inputted in the system for customer approval. However on May 21, 2021, on account of a bug in the system, the OTP stage got bypassed for those customers who could not record their biometrics, and the loans were disbursed.

The bank's official explanation needs to be examined. This analyst has covered the Indian banking sector for around 25 years, and in that time span, although there have been many cases of evergreening in the industry, no bank has officially admitted to actually doing it. If any bank were to admit to evergreening, its credibility would be destroyed and the CEO would be sacked, as no banking regulator could permit a CEO to continue in the post after admitting to evergreening.

Unfortunately, IndusInd Bank's credentials lack credibility: for two consecutive years, FY2016 and FY2017, the bank, under the leadership of Romesh Sobti (the mentor of the present CEO), under-reported its non-performing loans.

Furthermore, the allegation of evergreening of BFI loans is being made by the former non-executive chairman of BFIL, who was also its former CEO, as well as by anonymous senior executives of the company. Hence it has to be taken extremely seriously.

Even if one accepts the bank's official explanation, it raises a significant concern regarding operational risk management and IndusInd Bank's oversight of BFIL operations.

A technology upgrade is a major event in a bank and in BFIL's case a complete due diligence should have been done of the entire life cycle of the loan disbursal. The technology upgrade is a 3-stage process of testing, approval and deployment. Prior to any technology upgrade, the process is discussed and, most importantly, signed off by the operations head, business head and by internal audit, which operate independent of each other. The stamp of approval by internal audit is essential, as it verifies that the proposed technology upgrade is compliant with the standard operating procedure of the bank. The technology upgrade also has to pass a vigorous User Acceptance Test (UAT). After a technology upgrade is undertaken, and prior to deployment across the bank, a pilot project is launched to examine how the upgrade is working, and any bugs in the workings are rectified. It is only after a successful pilot that the technology upgrade is again approved by the Change Control Authority which may include senior executives from operations, business and the internal audit head. On the first day of the commercial launch, it is constantly monitored to iron out any glitches which may have been missed during the pilot stage.

That a critical step in the digital process of customer verification, which is an extremely important stage in the loan disbursal system, should suddenly fail after it has been implemented in the entire company, and after many days of operation, appears strange. This failure ultimately resulted in a US$ 1.3 billion loss to shareholders in market capitalisation.

It defies explanation that IndusInd Bank's press release has avoided any mention of accountability, and that the market is expected to naively accept that the technical bug was a random black swan event, which somehow escaped the internal evaluation of the software vendors and at least two independent teams within the bank during the upgrade process.

Nobody is to be held accountable. In the past, this analyst has repeatedly highlighted the lack of accountability in IndusInd Bank's corporate credit and risk management divisions, which resulted in large losses. Here again, if it was truly a technical glitch as claimed by the bank, it should follow that there must be accountability; but there is no reference to accountability in IndusInd Bank's response. It is therefore absolutely necessary that the RBI conduct its own inspection or authorise a third party forensic audit, to determine how BFIL could have disbursed loans to nearly 84,000 customers without customer approval.

YOU WILL NOT BE PUNISHED FOR YOUR ANGER, YOU WILL BE PUNISHED BY YOUR ANGER

ECONOMIC NEWS

1. RBI panel's recommendations to promote orderly growth of digi-lending, say industry players: The recommendations made by the RBI working group on digital lending, including lending through online platforms and mobile apps, will promote orderly growth of the sector, industry players said. In a comprehensive report, the Working Group constituted by the RBI has made several recommendations, including separate legislation to prevent illegal digital lending activities, subjecting digital lending apps to a verification process by a nodal agency, and establishing a self-regulatory organisation (SRO) covering the participants in the digital lending ecosystem.

2. Vulnerability in PNB server exposed customer data for about seven months: CyberX9: A vulnerability in the server of Punjab National Bank allegedly exposed the personal and financial information of its about 180 million customers for about seven months, according to cyber security firm CyberX9. CyberX9 has claimed that the vulnerability provided access to the entire digital banking system of PNB with administrative control. Meanwhile, the bank has confirmed the glitch but denied any exposure of critical data due to the vulnerability. PNB said, "customer data/ applications are not affected due to this" and "server has been shut down as a precautionary measure." "Punjab National Bank kept severely compromising the security of funds, personal and financial information of over 180 million (all) its customers for about the last seven months. PNB only woke up and fixed the vulnerability when CyberX9 discovered the vulnerability and notified PNB through CERT-In and NCIIPC." In an official communiqué, PNB denied the above news item.

3. PMJDY adds 1.3 crore beneficiaries in H1 of FY22: Interest in the Pradhan Mantri Jan Dhan Yojana (the world's largest financial inclusion scheme, continues unabated, with 1.30 crore new beneficiaries getting added in the first half of the financial year 2021-22. The total number of beneficiaries has gone up to 43.50 crore at the end of September 2021, while it was at 42.20 crore on April 1, 2021. The total balance in the basic savings bank accounts opened under the scheme, however, almost remained flat at ₹ 1,45,272 crore (as of September 29, 2021), as per the government data. The continued growth in the number of accounts is driven by strong efforts by the banks as well as increasing interest among the low-income groups in seeing the scheme as a 'passport' to government schemes, according to bankers.

4. RBI panel recommendations will promote the growth of digi-lending: Industry: The recommendations made by the RBI working group on digital lending, including lending through online platforms and mobile apps, will promote orderly growth of the sector, industry players said. In a comprehensive report, the Working Group constituted by the RBI has made several recommendations, including separate legislation to prevent illegal digital lending activities, subjecting digital lending apps to a verification process by a nodal agency, and establishing a self-regulatory organisation (SRO) covering the participants in the digital lending ecosystem. Emkay Global Financial Services, in a note, said the proposals appear to be largely constructive for the digital lending space and are on expected lines. That said, the introduction of regulations may moderate the growth rate of digi-loans, which have seen strong growth in the short term in countries like China and India (P2P).

5. Former SBI chief Rajnish Kumar cautious about near-term credit pickup: Given that many corporates have deleveraged their balance sheets and are cash-rich coupled with economic growth led by the asset-light service sector, former State Bank of India (SBI) chairman Rajnish Kumar said he has some reservations over near-term corporate credit up cycle. Kumar was speaking at India Financials Conference 2021 hosted by ICICI Securities. "It is still some time away," Kumar was quoted in a report by ICICI Securities. Kumar is more bullish on renewable energy and the road sector. Also, he believes healthcare

THE FOOL WHO KNOWS HE IS A FOOL IS MUCH WISER THAN THE FOOL WHO THINKS HE IS WISE investments will pick up. Push for housing, improved affordability, and low-interest rates will drive demand for mortgages as well. Government incentives in bringing down tax rates facilitate investment, and investment activity should pick up.

6. NPAs of NBFCs, HFCs may rise for 3-4 quarters due to tweaking in norms: Non-banking finance companies (NBFCs), including housing finance companies (HFCs), may see an increase in non-performing assets (NPAs) for three-four quarters due to the tweak in norms relating to when a borrower account can be flagged as overdue and tightening of rules pertaining to up-gradation of NPA accounts. However, NPAs are expected to stablise a couple of quarters after the Reserve Bank of India's modified "Prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances" take effect, say, industry experts.

7. Co-operative societies can't use 'bank' in their names: RBI: The RBI on Monday cautioned the public against co-operative societies using 'bank' in their names as well as accepting deposits from people who are not their members. After the amendment in the Banking Regulation Act, 1949, effective September 29, 2020, co-operative societies cannot use the words "bank", "banker", or "banking" as part of their names, except as permitted under the provisions or by the Reserve Bank of India (RBI). In a statement, RBI said it has come to notice that some cooperative societies are using the word 'bank' in their names in violation of the Banking Regulation Act.

8. Deposits parked with co-operative credit societies not eligible for insurance cover: RBI: The Reserve Bank has cautioned the public against co-operative societies using words "bank", "banker", or "banking" as part of their names unless specifically permitted. It also clarified that deposits with their societies are not eligible for insurance cover. Some Co-operative Societies are using the word "Bank" in their names in violation of Section 7 of the Banking Regulation Act, 1949, which is applicable to co-operative societies under the Act, according to the Reserve Bank.

9. Bad-loan market may see a flurry of activity after a lull of the past few years: Banks are set to sell dud-loans worth ₹ 90,000 crore of 22 firms in the first tranche to the National Asset Reconstruction Company (NARCL). It's a reason for cheer, given that such sales to asset reconstruction companies (ARCs) have been poor in recent times. In fiscal 2020, their assets under management (AUM) contracted by 4 percent; and in fiscal 2021, it fell by another 100 basis points to ₹ 1.07 trillion. So, why are we where we are? "In FY21, we sold nine out of 10 assets for cash. This year (FY22) too, whatever we have sold (20-23 assets) is for cash. We have taken security receipts (SRs) only in 3-4 cases. Selling in cash entails higher haircuts, but we are okay with that," says Swaminathan J, managing director (risk, compliance and stressed assets resolution group) at the State Bank of India. Two other factors have also been in play.

10. Common Bond welcomes Shri Atul Kumar Goel, currently MD of UCO Bank, as the new Chairman of IBA. Shri Goel will also head Punjab National Bank after demitting of office by Shri S S Mallikarjuna Rao, the current MD of PNB.

11. Public Sector Banks have succeeded in bringing down their bad loan pile. For the September quarter, the gross bad loan stock of PSU Banks was down 5 percent from a year ago, while that of private sector lenders was up 8 percent. The NARCL is expected to lighten this load, further giving a further boost to public sector banks. With the provisioning level already high, the prospect of carving out a huge chunk of profit towards the bad loan is low in the coming quarters. The upshot is that PSU Banks may show a healthy profit in the coming days. However, there is a more discerning reason for public sector bankers to remain cautious as 9 percent of their total loan book is still non-performing as of September 2021. More importantly, PSU banks are still starved for balance sheet growth. For the September quarter, public sector lenders, excluding SBI, reported a contraction in their loan book at the aggregate level. Private sector banks, on the other hand, saw their advances grow at a brisk pace of 10 percent. While management commentary suggests that loan

growth may leap in the second half of FY22, it would be a stretch to expect double-digit growth.

The growth picture is more precarious when seen over the last decade. Public sector lenders have lost loan market share hand over fist to their private peers. Their share, including SBI, is down 56 percent in FY21 from 75 percent in FY11. Much of this can be attributed to the bad loan cycle that is now on the downside. While mergers have fortified their balance sheet to lend, their capital ratios are nowhere close to private sector peers.

Now with NPLs coming down, analysts expect growth to accelerate. However, this depends on how fast demand for credit from companies increases. Here the signs are not as good as they are portrayed.■

CIRCULARS

74 dated 29th October, 2021: Circular on D.A. Payable from 1st November, 2021 to 31st January, 2022

75 dated 24th November, 2021: Circular on Bharat Yatra -"Bank Bachao, Desh Bachao" rally at Jantar Mantar, New Delhi on 30th November, 2021.■

SHARED ARTICLE

THE CASE OF DEMONETIZATION IN INDIA

Five years on, the trajectory of the coverage demonstrates that in style narratives can trump economic facts

Popular narratives play a lot greater position in financial policymaking than economists and policymakers acknowledge. If, certainly, these narratives are grounded extra in fantasy than actuality, the impression of such coverage could be devastating. The demonetisation of high-value forex in India in 2016 is a traditional case of coverage primarily based on defective narratives. Paradoxically, the failure of the coverage doesn't seem to dent the narrative and, consequently, there may be little or no value to pay for its failure.

Across time, the impact

Narratives are sometimes intertwined in the cultural perception methods of the society. Thus, the Great Depression of the Thirties got here to be related to the excesses of the "roaring twenties", although many financial components have been accountable. The Weimar hyperinflation of 1921-24 is so deeply embedded in the German consciousness, that even now, almost 100 years after the occasion, German society treasures monetary stability and distrusts public debt. Fiscal conservatism stays the dominant narrative and has inhibited the post-2008 restoration in Europe. Though the current novel coronavirus pandemic disaster has led to Keynesian treatments on steroids in many international locations, there may be already a murmuring of fiscal imprudence fuelling inflation.

Indeed, narratives in economics, as in different social sciences, create myths which endure regardless of rational enchantment to info. The demonetisation story in India can also be primarily based on in style fantasy, the folklore of black money and its affiliation with bodily money. The idea of demonetising massive denomination forex as a instrument to flush out undeclared hoards of money was not new. It was executed on two earlier events, in 1946 and 1978, with poor outcomes. But, not like the restricted impression of the earlier occasions, the demonetisation in 2016 precipitated widespread disruption in the financial system, whose prices are nonetheless to be correctly reckoned.

HE WHO SEEKS HAPPINESS BY HURTING WILL NEVER FIND IT

Five years later, most observers have concluded that this coverage was a failure. Very little of its declared aims — of eliminating black money, corruption, transferring in the direction of a "much less money and extra digital financial system", or elevated tax compliance — have been achieved. Expectations of windfall good points of some ₹ 2 trillion-3 trillion did not materialise as greater than 99.3% of the cancelled notes returned to the banks. If black money had existed as stockpiles of unlawful money, clearly all of it was very effectively laundered. If the target was to register a everlasting upward shift in the tax base, it failed miserably. Perhaps essentially the most telling proof of the failure is that the cash-in-circulation has now exceeded pre-demonetisation levels.

Touching a chord

And, post-COVID-19, reliance on money is far increased, and with extra increased denomination notes in circulation. By each measure, demonetisation as financial coverage was a gross failure. But, as a story, it was introduced and obtained in an altogether totally different gentle. Despite its manifest failure, the ability of the narrative was such that it succeeded in making a beneficial or optimistic view of the coverage.

The folklore of black money and the vivid imagery that accompanies it's simply recognised and understood by the frequent individuals, who witness corruption in every day life and see it play out in the cinema, newspaper tales or in every day dialog through the years. The very time period, black money, is a loaded phrase, the place the specie itself acquires a symbolic and a substantive kind. The wealth, representing ill-gotten good points, is perceived to be collected invariably in stacks of forex notes and gold, hoarded in safes, packing containers, or ingeniously hid cabinets.

The idea of dramatic motion and the putting of a robust blow in opposition to this wealth is deeply satisfying psychologically. It is the stuff of epics. The spectre of black money has been invoked continuously in Indian politics, typically honestly and extra typically cynically. The narrative of black money is nearly all the time couched in deeply ethical phrases.

It doesn't matter, as repeatedly emphasised in a number of financial research, there may be nothing to tell apart black or white money, besides in the way in which it comes into being. Although earnings from corruption or felony actions is by definition black money, most black money is earned by way of completely legal actions although not declared to the tax authorities. More importantly, black money shouldn't be actually stored in money besides in small portions however principally collected by way of actual property and different property. However, the way in which the narrative was framed made it onerous for critics to elucidate their opposition. To denounce it outright would counsel that they've a vested curiosity in defending black money and corruption.

When it grew to become clear that the cancelled forex was being returned to the banks in bigger numbers than anticipated, the narrative modified focus from black money and pretend forex to digital/cashless funds, the latter being elevated to some increased goal than what it really is, a mere technological change.

Linked sub-themes

A key level in promoting the story was to introduce complementary sub-themes to strengthen the primary narrative and, at instances, to obscure the info on the bottom. Virtue signalling was key: appeals to nationalism and patriotism are all the time useful, whereas modernity and alter are implied as means to progress in the direction of some kind of technological utopia.

The name to sacrifice has deep resonance in India, as elsewhere. The act (of demonetisation) was an act of collective sacrifice. The individuals in lengthy queues have been reminded of the sacrifices of the troopers guarding the nation's borders and to not suppose of their very own struggling. Indeed, there was satisfaction in being informed that the wealthy had it worse. In actuality, the sacrifice known as for was

COMMON BOND ENGLISH MONTHLY-R.N.I.NO:36648/82-TOTAL NO.OF PAGES 12 DECEMBER - 2021
REGN. NO. KRNA/BGE - 1122/2020-2022 PUBLISHED ON 25-11-2021
POSTED AT BANGALURU PSO, MYSORE ROAD, BANGALURU - 560 026 / ON 2ND OF EVERY MONTH
LICENCED TO POST WITHOUT PRE-PAYMENT-LICENCE NO. PMG BG/WPP 330/2020-2022

considerably skewed in its impression, and the struggling of the poor was disproportionately better.

The actual irony lies in the truth that the ethical excessive floor claimed by the demonetisation narrative labored higher than contesting narratives of noticed actuality. It labored as a result of it understood the character of the ethical financial system of the poor. For the poor, lengthy used to being on the receiving finish of the state and its representatives, the impression of demonetisation can be yet another blow in a sequence of blows with which they needed to perforce deal. At least in this occasion, there would appear to be a measure of justice if the wealthy actually did undergo extra.
Despite the overwhelming proof on the contrary, 5 years after the occasion, the Government doesn't acknowledge any failure, or have even a smidgeon of doubt. Noticeably, nonetheless, there have been no tall claims of success both.

A self-inflicted shock

Most of the research, opinion polls, media reviews and anecdotal proof confirmed an amazing help for the coverage. Despite private hardship, lengthy queues, and the loss of earnings and financial savings, there was a level of ambiguity in criticising the choice. Most tended to tell apart the intention from the truth. That the coverage was good however maybe not carried out nicely gave the impression to be the primary theme. This successfully insulated the unique sin — that the very design of the coverage ensured its final result.

The case of demonetisation demonstrates that in style narratives can trump financial info.

It is evident that the place narratives succeed there may be little or no political value. A failed coverage that carries no value is prone to generate extra such insurance policies. Unlike most financial shocks, which may very well be traced to endogenous or exogenous causes, demonetisation was a wholly self-inflicted shock, which was very possible carried out as a lot in a honest perception in the narrative as in cynical political calculation. ■

(The above article is reproduced from The Hindu dated 11th November, 2021 on the occasion of the 5th anniversary of demonetization. With due acknowledgment)

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SBI Buildings, St.Mark's Road, Bangaluru - 560 001.

Printed & Published/Edited by Shri Soumya Datta on behalf of AIBOC, at State Bank Building, St.Mark's Road Bangaluru-560 001. Printed by Shri. Ranga Reddy, at L. V. Graphics 3968, 7th Cross, 2nd Main, Gayathri Nagar, Bangaluru - 560 021.