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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

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Privatise select PSU banks: Raghuram Rajan

PTI NEW DELHI, SEPTEMBER 22, 2020

THE HINDU

Wind down Department of Financial Services, says Rajan

Former RBI Governor Raghuram Rajan on Monday suggested that the government should privatise select public sector banks, set up a bad bank to deal with NPAs and dilute the Department of Financial Services' role.

The reforms are necessary to ensure growth of banking activity without the periodic boom-bust cycles, Dr. Rajan and former RBI Deputy Governor Viral Acharya said in a paper titled 'Indian Banks: A Time to Reform?'.

"Re-privatisation of select PSBs can then be undertaken, bringing in private investors who have both financial expertise as well as technological expertise; corporate houses must be kept from acquiring significant stakes, given their natural conflicts of interest.

'Offer patronage'

Noting that the government obtains enormous power from directing bank lending, they said sometimes this power is exercised to advance public goals such as financial inclusion, sometimes it is used to offer patronage to or exercise control over industrialists.

"Winding down Department of Financial Services in the Ministry of Finance is essential, both as an affirmative signal of the intent to grant bank boards and management independence and as a commitment not to engage in 'mission creep' when compulsions arise to use banks for serving costly social or political objectives."

Private and national asset management 'bad banks' should be encouraged in parallel to the online platform for distressed loan sales.

On bad loans, they said out-of-court restructuring frameworks can be designed for time-bound negotiations between creditors of a stressed firm, failing which the National Company Law Tribunal filing should apply.

US household wealth hits record even as economy struggles

Associated Press | September 22, 2020

THE FINANCIAL EXPRESS

The Federal Reserve said Monday that American households' net worth jumped nearly 7% in the April-June quarter to $119 trillion

The richest one-tenth of Americans owned more than two-thirds of the nation's wealth, according to Fed data through the end of March, the latest period for which figures are available

Americans' household wealth rebounded last quarter to a record high as the stock market quickly recovered from a pandemic-induced plunge in March. Yet the gains flowed mainly to the most affluent households even as tens of millions of people endured job losses and shrunken incomes.

The Federal Reserve said Monday that American households' net worth jumped nearly 7% in the April-June quarter to $119 trillion. That figure had sunk to $111.3 trillion in the first quarter, when the coronavirus battered the economy and sent stock prices tumbling.

Since then, the S&P 500 stock index has regained its record high before losing some ground this month. It was up 2.8% for this year as of Friday. The tech-heavy Nasdaq has soared more than 20% this year. The full recovery of wealth even while the economy has regained only about half the jobs lost to the pandemic recession underscores what many economists see as America's widening economic inequality.

Data compiled by Opportunity Insights, a research group, show that the highest-paying one-third of jobs have almost fully recovered from the recession, while the lowest-paying one-third of jobs remain 16% below pre-pandemic levels.

The wealth data highlights the inequalities in the recovery in the sense that high-income workers not only have jobs that for the most part have come back; they also have savings that have continued to grow, said John Friedman, an economist at Brown University who is co-director of Opportunity Insights.

The richest one-tenth of Americans owned more than two-thirds of the nation's wealth, according to Fed data through the end of March, the latest period for which figures are available. The top 1% owned 31%.

The small financial cushion for most households could force many consumers to cut back on spending in the coming months, now that government financial aid such as enhanced unemployment benefits has expired. Any significant such cutback in spending would, in turn, weaken the economy.

Household wealth reflects the value of Americans' homes, plus bank accounts, stocks, bonds and other assets minus mortgage debt, auto loans, credit card debt and other borrowing. (The figures are not adjusted for inflation.) During the April-June quarter, the value of households' stock portfolios rose $5.7 trillion, the Fed said. Home values grew $500 billion.

Americans also sharply increased their savings last quarter, likely reflecting a cutback in spending by wealthier consumers nervous about the virus's threat to the economy.

The federal government's financial assistance in the form of $1,200 checks and $600 in weekly unemployment benefits also likely allowed some lower-income households to save more. That government assistance has since expired.

The amount of money in checking accounts jumped 33% to $1.8 trillion. Savings accounts rose 6.1% to $11.2 trillion. Federal Reserve Chair Jerome Powell has repeatedly expressed concern about widespread inequality in the U.S. economy and last week said it is likely inhibiting growth.

”Those are things that hold back our economy,” Powell said at a news conference. ”If we want to have the highest potential output and the best output for our economy, we need that prosperity to be very broadly spread.” Yet many analysts say the Fed’s policies have inadvertently contributed to inequality by disproportionately benefiting stockholders. The central bank has cut its benchmark short-term interest rate to nearly zero and is buying about $80 billion in Treasurys a month. Both moves have kept rates on government bonds ultra-low, thereby encouraging investors to plow money into stocks and boosting share prices.

The Fed has also bought about $12 billion in corporate bonds and exchange-traded funds made up of corporate debt. Those purchases are intended to ensure that the corporate bond market functions smoothly and that large corporations can borrow by issuing debt.

Its purchases have been relatively small relative to the size of the overall market. But the Fed’s actions have restored confidence in the bond market and enabled large U.S. companies to embark on a borrowing binge. The Fed’s report Monday showed that business debt jumped 14% in the second quarter, after an even bigger rise of 18.4% in the first quarter.

Amanda Fischer, policy director at the Washington Center for Equitable Growth, a progressive think tank, said that the Fed could have required those companies whose bonds it bought to keep all their workers. Instead, for example, the Fed has purchased bonds issued by ExxonMobil, yet that company has said it is considering layoffs.

”The Fed did have the opportunity to attach conditions to the lending, and they chose not to,” Fischer said. Powell and many economists have said that another financial rescue package from Congress would boost the economy and help narrow inequality, because Congress can provide additional direct payments and more jobless aid. Yet there is no signs of a deal in Congress.

The data the Fed issued Monday pointed to huge gaps in wealth along racial lines. White households owned nearly 85% of total wealth at the end of March. Black households owned just 4.4%, Hispanics 3.2%.

Much smaller financial resources mean that many nonwhite households are forced to sharply cut spending after a job loss or reduced incomes. Research by economists Peter Ganong and Damon Jones at the University of Chicago found that Black Americans cut spending 50% more than whites when faced with the same income losses. Hispanics reduced theirs by 20% more.

Indian economy can touch $10 trillion in next 15 years: HUL CMD Sanjiv Mehta

PTI | September 21, 2020

THE FINANCIAL EXPRESS

Terming the present situation as a "massive opportunity for the country", Mehta said impetus should be given on digitising sectors like manufacturing, agriculture and pharma

The potential of the country is there and that would, forget USD 5 trillion, in the next 12 to 15 years we could be on the cusp of becoming a USD 10 trillion economy," HUL CMD Sanjiv Mehta said while addressing a virtual event organised by the All India Management Association

India has the potential to achieve a high GDP growth rate of around 10 per cent and be a USD 10 trillion economy in the next 12 to 15 years, HUL CMD Sanjiv Mehta said on Monday.

Terming the present situation as a "massive opportunity for the country", Mehta said impetus should be given on digitising sectors like manufacturing, agriculture and pharma.

"In the last three decades, we have achieved about 6 to 6.5 per cent on an average GDP growth rate and if we have to create a 10 million jobs every year, then we have to cross this chasm between 6 and 6.5 per cent and 8 to 10 per cent…

"…the potential of the country is there and that would, forget USD 5 trillion, in the next 12 to 15 years we could be on the cusp of becoming a USD 10 trillion economy," Mehta said while addressing a virtual event organised by the All India Management Association (AIMA).

To achieve this, the country must "dream big, think big and act big", he added.

Speaking on "renewing the economy", Mehta said the country has to reach a virtuous cycle of growth.

"We have to reach a stage, where we get into a virtuous cycle of growth, where investments happen or really it starts with demand. The demand goes up, investment happens, livelihoods get created and then the virtuous cycle starts moving. So, we have to get to that stage," he emphasised.

Talking about the COVID-19 situation in the country, he said a USD 3 trillion economy is like an Airbus A380 aircraft and it must not be allowed to go into a free fall.

On economic recovery, Mehta said the key issue is determining the appropriate level of interest rate to spur growth.

"Now we have come to a very critical juncture, where the question is how much the interest rate should be brought down to give impetus to the economy.

"Second is how aggressive the government should be with the fiscal deficit. There would be a glide path to bring it down in the future in a very disciplined, open and transparent manner so that it gives confidence to both the investors as well as rating agencies," he said.

Some industries, which are big employers, have been seriously impacted by the pandemic and the question is how to bail them out, Mehta said.

He further said the country has a fantastic opportunity to invest in health infrastructure.

“If you look at beds per thousand, we are anywhere one-fifth or sixth of the more developed nations… Pharma industry is about USD 41 billion and we have around 3 per cent of the global pharma industry. This is a great opportunity to start looking to solve this problem,” he said.

The second thrust should be on agriculture, as 60 per cent of the population lives in rural India and 50 per cent of people are employed in the farm sector, he said.

“I am pleased with the government with the steps which they have taken to reform some of the archaic laws which existed into the country. They are absolutely in the right direction. That is the kind of focus we need to bring here,” he added.

He also suggested digitising the entire economy and making data a national asset.

“We have to bring down the cost of capital also by 330 to 400 bps at least. We have to bring down the cost of logistics and make land available,” he added.

Talking about the FMCG segment, Mehta said the severity of the lockdown which was faced by urban India did not percolate down to the rural areas.

The harvest has been good this year and the government has also increased allocation to the rural employment guarantee scheme, besides taking steps like distributing foodgrains and direct transfer of money to the needy, he said.

“It has definitely given a boost to rural consumption. Before COVID happened, the rural consumption had slowed down. The rural per capita consumption of FMCG is less than half of the national average. So the runway to grow in rural India is massive and if things are good, then the rural growth rate is anywhere between 1.5X to 1.7X over the urban growth rate.

“It is very visible now that the rural growth rates are higher. The issue for us is the urban growth rate,” he added.

Hastily hustled farm laws raise question marks

Rasheeda Bhagat | September 21, 2020

THE HINDU BusinessLine

Without proper regulation and monitoring mechanism in place, farmers fear they will be at the mercy of big corporates

On a Sunday morning, in the midst of a ruckus and Opposition walkout, the Rajya Sabha pushed through two (out of three) controversial farm Bills by voice vote. Two days earlier, Harsimrat Kaur, Food Processing Minister in the Modi Cabinet, had resigned in protest. With Punjab elections only 18 months away, her party, the Shiromani Akali Dal, a member of the ruling NDA, which is hoping to return to power in the State, simply cannot go against the angry and agitating farmers of Punjab..

For a week now, several farmer outfits have been protesting against these Bills, now law, accusing them of being "business friendly" and fearing that big agri-business firms will now call the shots in Indian agriculture, and thoroughly exploit farmers, especially the small and marginal ones. Punjab farmers have announced a three-day rail ***roko*** agitation from September 24; other outfits have called for a ***bandh*** on September 25.

The most spirited and strident criticism of the Bills came from the feisty Trinamool Congress MP, Mahua Moitra, who accused the Central government of systematically destroying the federal structure of the country, and watering down States' powers. "Once again, this government is doing what it does best, which is arrogating to itself a constitutional authority it is not vested with," and predicted that "this move will permit the government to retrospectively validate its failure".

In an editorial, the Shiv Sena mouthpiece ***Saamna*** lambasted the Modi government for "giving control of farmers' lives to private players," after the privatisation of airports, railways, ports, etc.

The three Bills were on agri-market reforms, contract farming provisions and the Essential Commodities Act. The government's reasoning is that these laws will help small and medium farmers sell their produce outside the APMC ***mandis*** to whoever they want, and will benefit those who don't have access to technology.

The contract farming legislation, argues the government, will allow farmers to enter into contracts with agri-firms at a predetermined price, an insurance against the vagaries of the monsoon, floods or drought.

The apprehension of farmers about these laws is that without proper regulations and monitoring mechanisms of the government, they will be at the mercy of big corporates, whose only motive is profit.

Even when it comes to contract farming, those of us who have seen the vulnerability, distress and despair of small farmers, and their total dependence on the vagaries of nature, can well imagine the small landholders bartering away their rights to their crop to agri companies for paltry amounts. When you have little or nothing to fall back upon, you are most likely to succumb to the a bird in the hand…

Corporatisation of agriculture

Agriculture expert Devinder Sharma disputes the government's claim that these laws are farmer-friendly and not market-friendly. "If it were so, then why are the markets happy and the farmers protesting?" he says. He says these laws mirror American and European free-market policies on agriculture, and their "get big or get out" and "move up or move out" mantras for farmers, and wonders where they would lead a bulk of the 60 crore people dependent on farming in India. He argues that despite huge subsidies ("on an average an American farmer gets an annual subsidy of $60,000 against only $200 for an Indian farmer") and a free market, there is huge farm distress in Europe and the US."

Before the corona pandemic he visited France and found that 500 farmers commit suicide a year; "I was told that young farmers do not get brides. So it is no different from India. This is the social fallout of keeping agriculture impoverished." Sharma argues that barely 6 per cent of Indian farmers get MSP, and 94 per cent of them are anyway dependent on the market. "If the market is so good, then why are Indian farmers in such acute distress? The Punjab and Haryana farmers are angry because they sell a bulk of their rice and wheat produce to the ***mandis***."

He gives the example of Bihar, which did away with the APMC Act in 2006, claiming that "Bihar will be the new harbinger of agricultural revolution in India. But the reality today is that Bihar farmers are sending truckloads of their produce to Punjab and Haryana ***mandis***."

It's early days yet to decide if these controversial farm laws will be farmer-friendly, as the government claims, or yet another salvo from the ***suit-boot ki sarkar***, as Rahul Gandhi once called the Modi government, to throw our already beleaguered farmers to corporate wolves! But the haste with which the Bills were hustled through the Rajya Sabha raises serious doubts on whether the 70 per cent of our population dependent on farming will really benefit.

A misleading signal from the trade front

C P Chandrasekhar & Jayati Ghosh| September 21, 2020

THE HINDU BusinessLine

The emergence of a trade surplus in India's balance of payments over the first five months of FY21 signals the behaviour of an economy in recession

Provisional trade figures released by the Ministry of Commerce indicate that India's aggregate trade balance over the period April-August 2020 was in surplus to the tune of $14.2 billion, as compared with a deficit of $45.11 billion in the corresponding months of 2019.

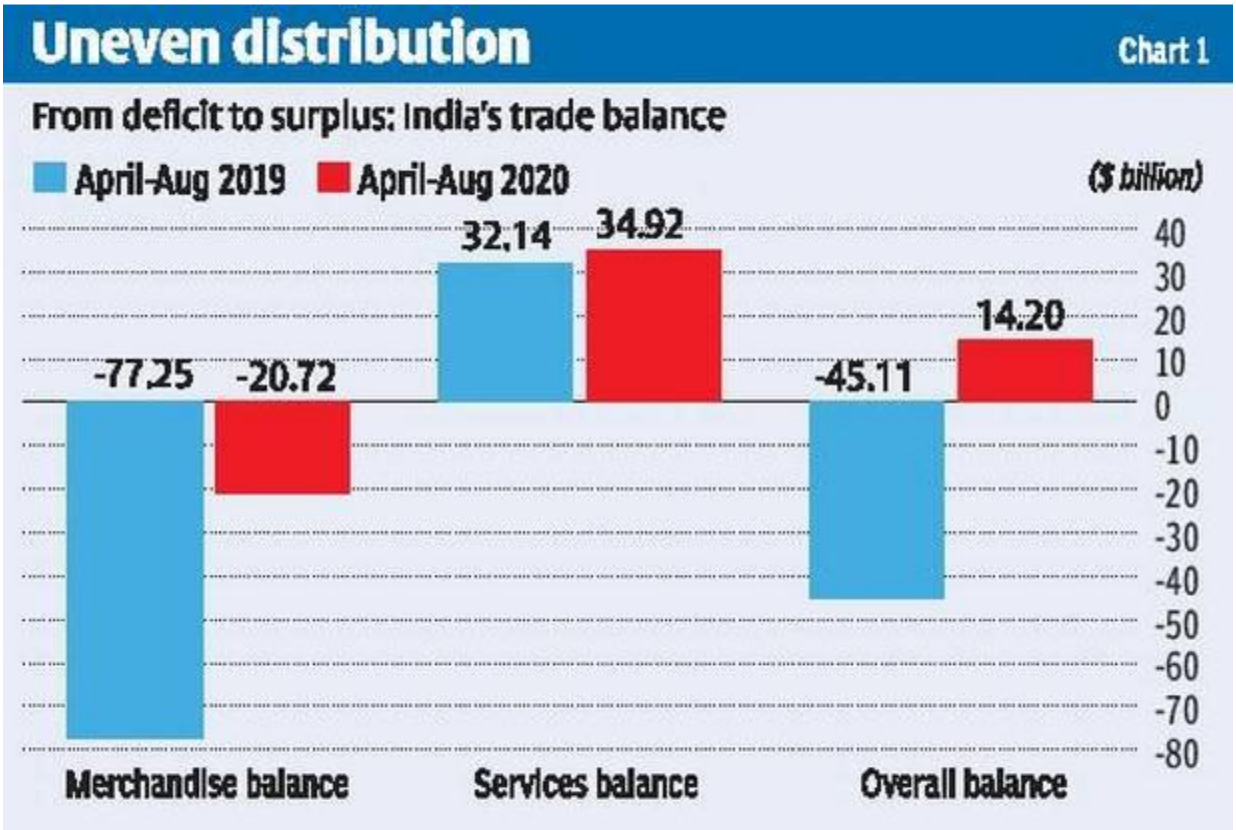
In normal times, this emergence of a surplus trade balance for a country that is chronically deficit would be a welcome development. But these are not normal times. Global growth has slowed since 2019, which would have adversely affected India's exports.

Oil prices have been volatile, but have broadly swung in India's favour reducing the country's oil import bill and improving its trade balance. And the Covid-19 pandemic has triggered a crisis globally and in India, which would have resulted in both a drop in exports as also in import compression, because of the severe contraction in domestic GDP during the first and (possibly) second quarters of the financial year 2020-21. A careful assessment of what the trade data reveal is, therefore, in order.

Sharp import fall

As is to be expected, the changed circumstances have affected merchandise trade to a greater extent than the trade in services. Merchandise exports over April-August 2020 fell by 26.65 per cent relative to the corresponding months of 2019.

But the fall in imports was, at minus 43.73 per cent, much sharper on a larger base. As a result, the merchandise trade deficit was less than one-third of its earlier level, falling from $77.25 billion to $20.72 billion between April to August 2019 and 2020 respectively (Chart 1).



In the case of the services trade, the April to August balance is estimated to have improved from $32.14 billion in 2019-20 to $34.92 billion. (The services trade figures for August 2020 are Commerce Ministry estimates, since the Reserve Bank of India is yet to release figures for that month.) This combination of a fall in the merchandise trade deficit and improvement in the services trade balance has resulted in a transformation of an overall trade deficit of $45.11 billion during April to August 2019 to a surplus of $14.2 billion during April to August 2020.

Oil impact

The sharp decline in the merchandise trade balance between the two periods was undoubtedly influenced by the fall in world oil prices.

For example, the price of the benchmark Brent Crude variety of petroleum ruled at $69 a barrel in April 2019 in comparison with the $20 a barrel between in April 2020 and at $63 a barrel, compared with $44 a barrel in August 2019 and August 2020.

These lower prices, combined with the fall in consumption of petroleum products because of the severe lockdown imposed by the government starting late March 2020 owing to the Covid crisis, should have reduced India’s oil import bill and oil trade deficit significantly. It is true that India has in recent years been a significant exporter of petroleum products, so that the global recession and the fall in global oil prices would have impacted exports as well.

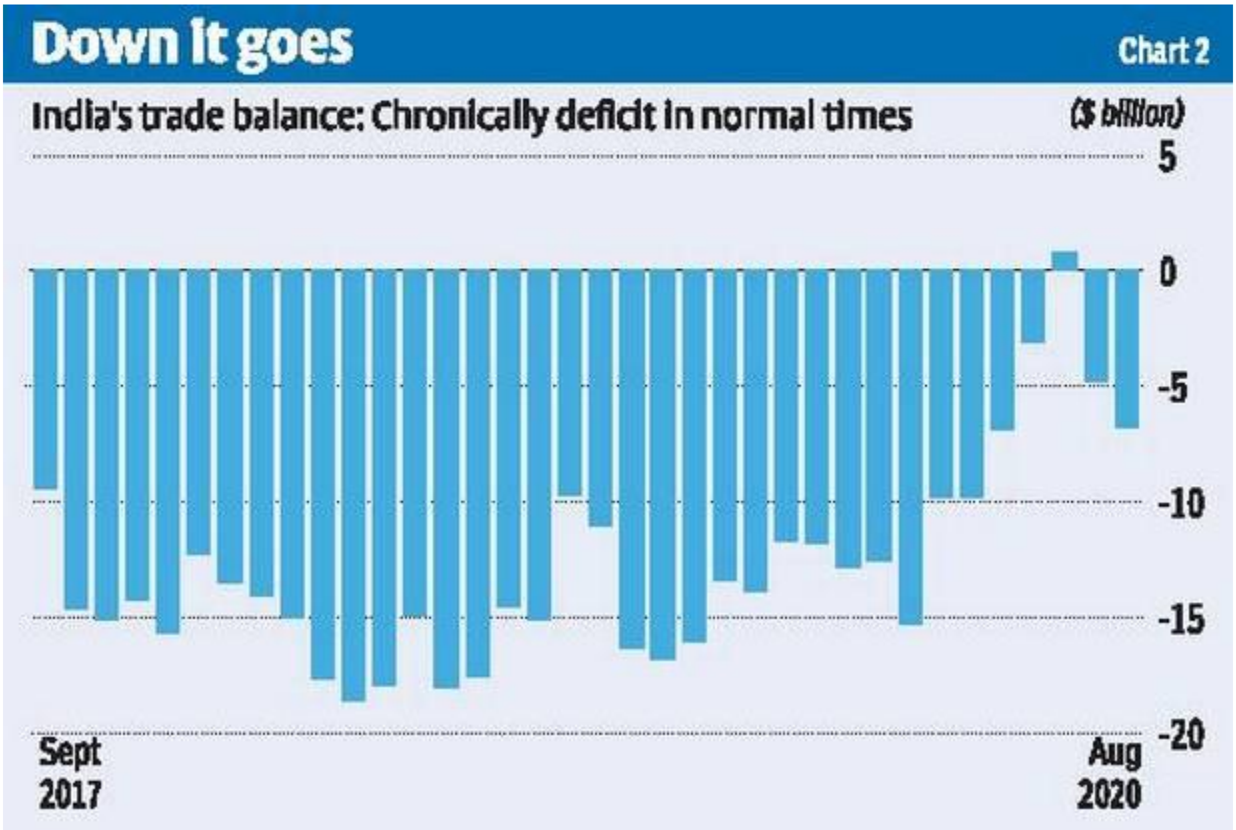
But if we take the period April to July 2020, oil exports from India fell by $8.16 billion, whereas oil imports into India fell by $25.32 billion. Thus, the oil price bonanza did play a role. But so did the severe recession in India that curtailed oil imports.

The contribution of the recession was all the greater because it affected a range of imports. If we consider non-oil and non-gold imports, the value of this group of imported products that stood at $139.75 billion in April-August 2019-20 fell to 86.17 $billion in April-August 2020-21.

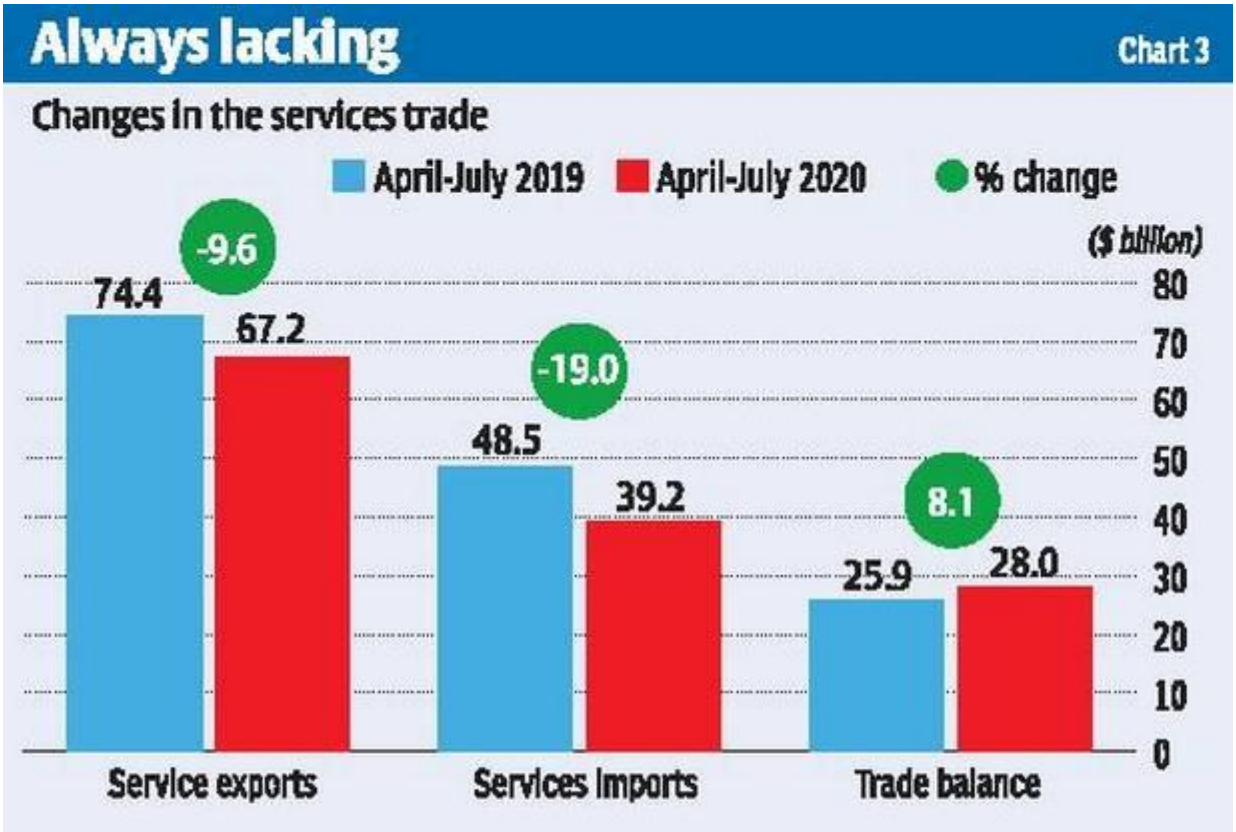
On the other hand, non-petroleum and non-gems and jewellery exports fell only to $83.24 billion during April-August 2020-21 from $99.65 billion during the corresponding months of the previous year.

Thus, the fall in the imports of core non-oil products driven by the domestic recession was steeper than the fall in core exports resulting from the recession in India's principal trading partners.

The effect on the merchandise trade balance of this post-Covid recession-induced fall in India's imports was significant. India's monthly trade deficit, which was either near or substantially above $10 billion from September 2017 to March 2020, fell significantly in all months after March and even turned surplus in June 2020 (Chart 2).



The importance of the domestic recession in explaining trade trends is revealed more clearly by the evidence on trade in services, which is not clouded by the effects of the global fall in oil prices. If we consider the period April to July, India's services exports totalled $74.4 billion in 2019 and $67.2 billion in 2020, reflecting a fall of 9.6 per cent (Chart 3).



As compared to this, affected by the domestic recession, services imports fell from $48.5 billion to $39.2 billion over the respective four-month periods, or by a much higher 19 per cent. This helped raise the positive balance in the trade in services by 8.1 per cent, which contributed to the observed “improvement” in India’s overall balance of trade.

Missing an opportunity

In the case of services, the much sharper recession at home brought down imports while exports were affected less by the global crisis.

In sum, while the fall in global oil prices did contribute to the reduction in India’s import bill, a major factor explaining that reduction is the much sharper fall in non-oil imports of both goods and services as compared with the fall in exports of non-oil goods and services. The recession also meant that factors operating before and after the Covid-19 shock prevented India from reaping the benefits of low international oil prices, which in normal circumstances would, by capping inflation and increasing the government’s manoeuvrability, helped trigger an acceleration in growth. Seen in that light, the transformation of India’s balance of trade from deficit to surplus, even if not temporary, is not a sign of improving economic health.

It shows that the way the Covid-19 shock was handled by the Indian government has had more deleterious effects on its economy than is being experienced by its trading partners.

Banks ready with one-time rejig plan for retail loans

G Naga Sridhar Hyderabad | September 21, 2020

THE HINDU BusinessLine

There's relief in sight for pandemic-hit retail borrowers struggling to make EMI payments. Banks have started offering relief packages to borrowers under the RBI's Resolution Framework for Covid-19-related Stress.

As the six-month moratorium offered to all borrowers came to an end on August 31, the RBI allowed banks to open a one-time restructuring window for banks to offer further relief to borrowers who are still cash-crunched and unable to resume EMI payments. The one-time restructuring of loans include personal, housing, auto and education advances, and credit card dues. Banks are now rolling out the scheme.

"We have framed guidelines on the modalities and customers can apply for relief before December 24, 2020," a senior SBI official told ***BusinessLine***.

The RBI-drafted facility enables lenders to implement a resolution plan in respect of eligible corporate exposures (without change in ownership) and personal loans, while classifying such exposures as standard assets (not NPAs). There are certain eligibility criteria (see chart) for borrowers.

SBI is offering an OTP-model online facility for customers to check eligibility.

Additional outgo

While there is uncertainty over the interest charged on loans during the moratorium period (a Supreme Court decision is awaited), there is certainly a cost factor for those who want to opt for the restructuring option, say bankers. Restructuring normally involves rescheduling of EMIs and grant of additional moratorium or extension of the loan tenure (up to two years) — all of which implies additional outgo for borrowers over the loan tenure.

While banks have opened the rejig window, customer response is still to happen. A handful of customers with whom ***BusinessLine*** interacted did not even seem to be aware of the restructuring option.

"There is no general intimation for an ordinary customer. I only just became aware of such an option," said R Ranga Rao, an SBI customer.

According to K Bhaskar Rao, CGM, Union Bank of India, Hyderabad, as most retail segment advances, such as home loans, are taken by the employed class, customers may react cautiously to the new resolution framework, wary of additional costs.

An executive director with a public sector bank said: "The real adverse impact of Covid-19 is now beginning to be seen more clearly. In view of the uncertainty during the pandemic, I expect middle-class borrowers to go for the relief package, going forward."

Restructuring will lead to increase in loan-to-value and higher EMI to income ratio

Radhika Merwin | September 21, 2020

THE HINDU BusinessLine

Increasing the risk for banks, these ratios will need a close watch in the coming quarters

In a bid to offer a respite to borrowers who are unable to resume loan repayments post the moratorium period or are otherwise cash-strapped, many banks have announced the contours of the one-time restructuring option. Aside from the mandate of the loan account being standard as on March 1, 2020, banks also need to be satisfied that the borrower has indeed been affected by the pandemic -- fall in income, job loss, closure of business, etc.

The restructuring of retail loans, which involves a moratorium on loan EMIs and extension (if opted) of the loan tenure, implies an increase in loan-to-value (LTV) and higher EMI to income ratio. This will increase the risk for banks, particularly if there is a sharp fall in the value of the underlying asset or the borrower's income takes a further hit going ahead.

Why?

The concept of LTV applies mostly to home loans. The LTV ratio is the ratio of the loan amount vis-à-vis the value of the property. For instance if the value of the property is Rs 1 crore and the bank offers loan at an LTV ratio of 75 per cent, then a borrower can avail loan up to Rs 75 lakh. According to RBI guidelines, banks can offer LTV of up to 90 per cent in case of home loan amount up to Rs 30 lakh, up to 80 per cent in case of a loan between Rs 30-75 lakh, and up to 75 per cent in case of home loans above Rs 75 lakh.

Banks usually work within the LTV ratio range of 65-75 per cent to mitigate risk of loan default and sharp fall in the price of the asset (property).

But the restructuring of home loans would now lead to increase in the existing LTV ratios for banks.

Under restructuring, a borrower can ask for a moratorium on loan EMIs for a period ranging from 1 to 24 months. Essentially, while the borrower does not pay any EMIs during the moratorium period, interest will be charged during this period. At the end of this moratorium period, the borrower can either retain the original tenure or ask for an extension of the loan tenure by a period equivalent to the moratorium granted. In both cases, the outstanding loan amount would increase (from the amount due before restructuring). Hence the LTV ratio will automatically inch higher.

During SBI's virtual press conference to launch its online portal for restructuring of retail loans, Managing Director (Retail & Digital Banking), C S Setty, said there could be an increase in the bank's LTV ratio from 70-75 per cent to about 90 per cent, in some cases owing to restructuring.

In case of other banks, too, it is evident that the LTV ratio would increase substantially from current levels, reducing the margin of safety with banks. A sharp fall in the underlying property price can turn risky for banks. It also needs to be seen how the RBI's broad LTV rules for home loans and gold loans (which was recently increased to 90 per cent), will apply for restructured loans, where LTV going up is a given.

Shrinking income

The other aspect that can increase the risk for banks is the higher EMI to income ratio. This ratio is critical to gauge the loan eligibility of a person, as it determines his affordability. Usually a bank restricts the EMI to 35-40 per cent of a borrower's income.

But under restructuring, which sets the pre-condition of a fall in income for borrowers to avail of the option, would result in increase in EMIs, the EMI to income ratio would go up inevitably.

During his media interaction, Setty had also indicated that the EMI to income ratio could go up to 70 per cent (from 50 per cent currently).

A sharp fall in income of borrowers post restructuring can increase the risk for all banks.

BBB recommends 13 names for Executive Director posts in PSBs

KR Srivats New Delhi | September 21, 2020

The Hindu BusinessLine

The Banks Board Bureau (BBB) has recommended 13 names for being appointed as Executive Director in various public sector banks (PSBs).

In all, there are 13 vacancies for ED posts in various PSBs. This recommendation came after the BBB interviewed 28 candidates (General Manager and Chief General Manager) from various PSBs on September 19 and 20, sources said.

Names recommended

The names of those who have been recommended by the BBB are: Swarup Kumar Saha, Debadatta Chand, K Satyanarayana Raju, Nitesh Ranjan, Sangram Keshari Mohapatra, Monika Kalia, Swarup Dasgupta, Karthikeyan M, Ishraq Ali Khan, Vivek Wahi, S Srimathy, B Vijayakumar, and Raghavendra V Kollegal.

It may be recalled that the Department of Financial Services, Ministry of Finance, had, in June this year, asked nationalised banks to furnish the details of bank officers serving on the highest level below the board of the bank in which the officer is employed.

The details of only those officers who had completed at least two years as General Manager/ Chief General Manager and have three years of residual service as on April 1 need to be furnished, the DFS had then said.

BBB started functioning from April 1, 2016, as an autonomous recommendatory body. The bureau is also engaging with PSBs to help build capacity to attract, retain and nurture talent and technology – the two key differentiators of business competences in the days to come.

BBB had last conducted interviews for the post of Chairman of State Bank of India.

Last year, the government had embarked on a mega consolidation drive among PSBs that saw as many as 10 such banks getting consolidated to four mega PSBs from April 1 this year. As on date, India has 12 state-owned commercial banks. These are: Punjab National Bank, Bank of Baroda, Bank of India, Central Bank of India, Canara Bank, Union Bank of India, Indian Overseas Bank, Punjab & Sind Bank, Indian Bank, UCO Bank, Bank of Maharashtra, and State Bank of India.

Banks not risk averse: SBI chief

PTI

NEW DELHI, SEPTEMBER 22, 2020

THE HINDU

'Lenders being prudent amid muted demand to avoid repeat of post-2008 scenario'

Asserting that there is a muted demand for loans, SBI Chairman Rajnish Kumar on Monday said banks are not risk averse but being prudent in these trying times to avoid a repeat of the post-2008 scenario when there was 'dilution' in credit underwriting standards.

Data clearly shows that investment in the economy has come down, the head of the country's biggest lender said. "If the capex [capital expenditure] is not happening and investment in the economy is not happening at the same pace, then obviously this is a demand issue and the risk aversion would be where there is a demand and banks are not lending," he said at a virtual event organised by AIMA. Non-food bank credit grew 6.7% year-on-year in July as against growth of 11.4% in the same month of 2019, as per latest data from the Reserve Bank of India. Bank credit in July stood at ☐91.48 lakh crore.

For banks, to give debt requires equity from promoters, Mr. Kumar said, adding that the number of people or business houses with the capacity to invest had shrunk.

Want of entrepreneurs

In such circumstances, there was a need to create more businesses and entrepreneurs who have the capability to invest in operations and borrow, he noted.

"If people are benchmarking that what happened after 2008 where there was a lot of money supplied by the banks and there was dilution of the credit underwriting standards and then banking system and the country paid a heavy price.

"Banks, in my view, they are being prudent," he said.

Asked if further rate cuts would spur growth, Mr. Kumar said whatever reduction had happened had not been able to push investment.

Inflation, the SBI chief said, was supply side driven.

"Right now, the demand is muted, discretionary spend is muted, so we have to do everything to keep our supply chains in order and put them up and running. Inflation will come under control," Mr. Kumar added.

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