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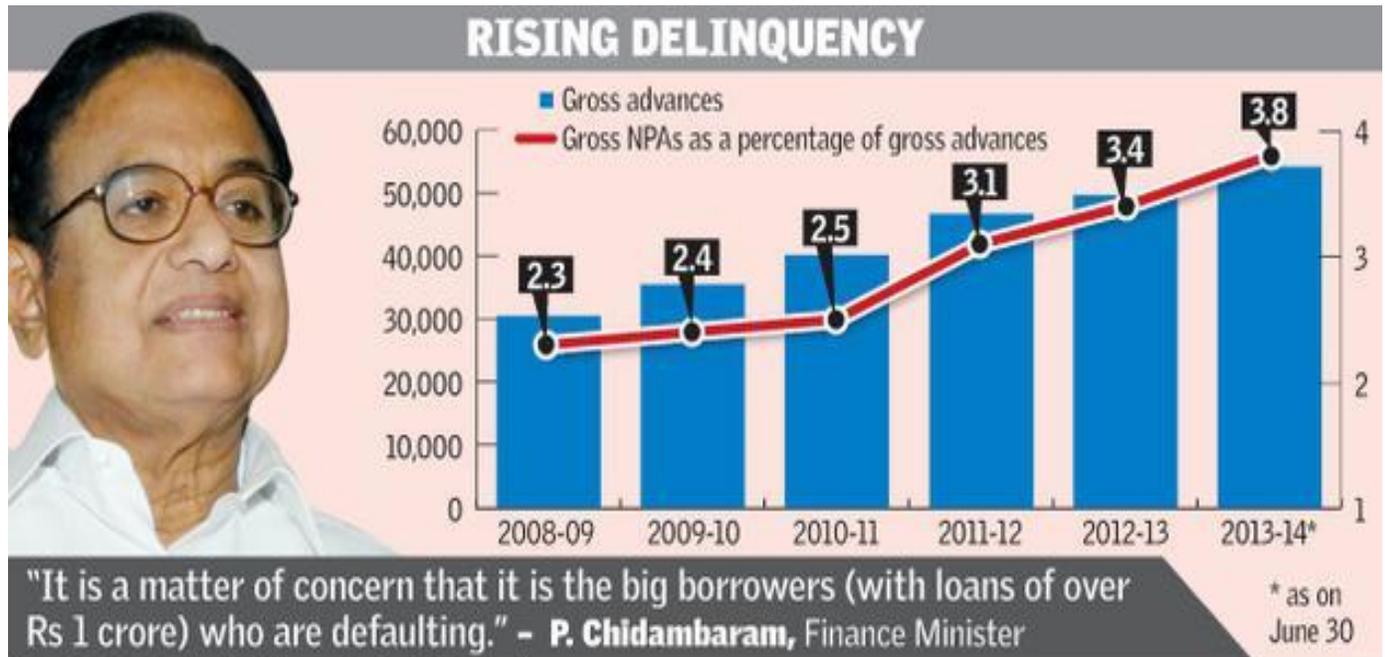
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FinMin frowns at rising bad loans

OUR BUREAU, BUSINESS LINE 23 10 2013



Note: Data include all public sector & private banks



Finance Minister P.Chidambaram along with Finance Secretary Rajiv Takru during a meeting with the CMDs of public sector banks/financial institutions in New Delhi on Tuesday.

CHIDAMBARAM HAPPY WITH BANK LENDING; TO MONITOR TOP DEFAULTERS

Finance Minister P. Chidambaram on Tuesday termed the rising number of bad loans in the banking sector as “unacceptable”, even as he expressed satisfaction at the growth in bank lending during the April-June quarter of the current fiscal.

“Credit growth in the first quarter ending June has shown 12.08 per cent growth on year-on-year basis,” Chidambaram announced at a press conference, after a review meeting with heads of public sector banks and financial institutions here. Agriculture credit growth is expected to meet the target of Rs 7-lakh crore or even surpass it, while housing loans have jumped by over 61 per cent in the second quarter.

However, the rise in loans has come with higher bad debts or ‘non performing assets’ (NPAs). **Chidambaram attributed this mainly to defaults by large borrowers** (those who have borrowed Rs 1 crore or more).

“We are monitoring the top 30 NPA accounts in each bank, each zone. It is a matter of concern that **it is the big borrowers (with loans of over Rs 1 crore) who are defaulting**,” Chidambaram said.

“We have told them (the banks) to keep a very close watch on these large accounts and that they have to recover the amount. I hope recoveries will improve,” he added. As of June, the gross NPAs of nationalised banks was 3.89 per cent, with the State Bank Group alone accounting for 5.5 per cent of total lending. The Finance Minister also advised banks to follow State Bank of India’s action in this regard. He said that like SBI “other PSU banks should set up separate verticals to recover as much as possible from accounts that were written off.”

At the end of June 2013, overall gross NPAs (as a percentage of gross advances) rose to 4.57 per cent from 3.84 per cent in March, 2013. **Top 30 NPA accounts as a percentage of gross NPAs were 34.83 per cent** at the end of June, 2013.

The Finance Ministry has also finalised the bank-wise capital infusion plan aggregating Rs 14,000 crore. Now, “We will sit down and work out with the RBI and SEBI the manner of infusion of funds and the pricing,” Chidambaram said. While the fund infusion will be through preferential allotment of shares to the Centre, the details of issues, such as pricing, will be worked out in a week’s time, he said.

Top NPA accounts of banks on FinMin radar

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BIG BURDEN		AS OF JUNE 2013	
BANKS	GROSS NPA Rs. in Crores	TOP 30 NPAs	
		Rs. in Crores	As % of Gross NPA
Nationalised Banks	1,11,209	48,406	43.50
SBI Group	71,620	15,266	21.30
Public Sector Banks	1,82,829	63,671	34.83

Set up separate verticals to recover technically written-off accounts, Chidambaram tells banks

Rising non-performing assets (NPAs) or bad loans in the banking system have prompted the Government to turn the heat on public sector banks (PSBs) to improve their loan recovery mechanism. It also said that top 30 NPA accounts of each bank were being closely monitored

Concerned about the NPA situation, Finance Minister P. Chidambaram on Tuesday directed PSBs to set up a separate vertical or division for recovery of technically written-off accounts.

Such a vertical would be headed by an official of General Manager rank, Chidambaram told newsmen after a three-hour meeting with chief executives of public sector banks in New Delhi on Tuesday.

This is the first time banks have been asked to come up with a dedicated vertical for recovery of technically written-off accounts, a banker who attended the meeting, said.

Already, PSBs have recovery cells, but not a dedicated one for technically written-off accounts, a banker pointed out.

"We will look at the Finance Minister's suggestion on a separate vertical for technical write-off accounts and implement it in true spirit," S. L. Bansal, Chairman and Managing Director, Oriental Bank of Commerce, told Business Line.

The total technical write-offs in the banking system as of June-end 2013 stood at about Rs 83,000 crore.

'PURE PROFITS'

Chidambaram pointed out that it was important for banks to focus on recovery of technically written-off accounts as every rupee recovered from such write-offs was “pure profits” for banks. He urged PSBs to ensure that their write-offs were not more than their recoveries.

In the case of six banks — Indian Overseas Bank, Indian Bank, Bank of India, Bank of Maharashtra, Union Bank of India and Syndicate Bank — the write-offs have been more than their recoveries during the quarter ended June 2013.

The current difficult situation on the NPA front is the result of a slowdown in the pace of growth of the economy, Chidambaram said.

Large borrowers, (who borrow above Rs 1 crore), account for bulk of the NPAs, he pointed out.

“I have asked banks to keep a close watch on large accounts and also go after wilful defaulters.”

Chidambaram also noted that bulk of the people do not wilfully default and are likely to repay if the economy picks up.

New SBI chief emerges an empowering leader

(Comment: Special to IANS) IANS October 22, 2013

The appointment of Arundhati Bhattacharya as chairperson of State Bank of India Oct 7 signals her acumen with numbers. That a 57-year-old career banker will lead the 207-year-old bank, the biggest in the country, to serve the customer is a natural expectation. That winds of change - with her employee-friendly approach and transformative communication - will be felt within days of the change of guard was a surprise.

Change of leadership in organisations is not easy. And for State Bank, India's only entry in the Fortune 500 Global list, the task is tough, to say it mildly. It boasts of a network of 15,000 branches, over 25,000 ATMs and the largest balance sheet in the country, along with machinery that badly needs fine-tuning to keep up with the changing times.

O.P. Bhatt, who headed SBI for five years till 2011, literally walked barefoot over a bed of blazing coals at one of the deputy general manager conclaves. When colleagues found him unscathed, they too attempted and accomplished the feat, narrate Prof Rajiv Lal and Rachana Tahilyani in a Harvard Business School case study "State Bank: Transforming a State Owned Giant".

"It is all in the mind and the mind can conquer anything. After that, some of those people have told me, when confronted with a problem, I think if I can walk on fire, why can't I do this?" recounts Bhatt in the 2011 case study.

It is not going to be a walk on fire for the newly-appointed chief but it is also not going to be an easy walk.

For the new chief, energizing the workforce and growing collaboration seem to be the top priority. Since Bhattacharya has a collaborative leadership style, it would help spawn positive energy at workplace.

By choosing to focus on employees in her very first media interaction, a day after taking over, she instantaneously won the trust of 3,00,000 colleagues by promising three sabbaticals (of two years each) for women employees to look after their young ones, in helping them in their Class 10 and 12 studies and spending time with their aging parents and in-laws.

Currently women employees at State Bank can avail of a sabbatical of about a year on childbirth without pay.

It is an exceptionally powerful initiative aimed at empowering employees - both women and men. I see this as brilliant example of people-centric leadership that can create an escape velocity for the bank to move to a new orbit of growth.

Along with these positive moves, Bhattacharya may need to align the top team and those below them with a new aspiration that could help the bank get out of the current challenges she so eloquently admitted.

By preventing mobility of women work force to the world of educated, under-employed home-makers, the people-sensitive SBI chief will retain and nurture talent.

At the same time, HR will not face the issue of last-minute leave of absence, and managers can assign workforce in a better way knowing that an employee is not available for two years.

She has also made SBI an attractive career option for the bright talent passing out of our colleges.

Bhattacharya also made her mark in communication.

Without getting stuck in the transactional communication that many leaders are prone to and that fails to inspire people, she quickly outlined transformational themes to the entire organisation.

She did away with the bureaucratic rule that says not more than two transfer requests on account of spouses getting transferred.

It signals that with the changing societal needs, outdated rules will get updated, especially in nuclear families where both partners work. This benefit, when implemented, will empower women employees to give their best at work place.

As someone who has led the technology function at State Bank, Bhattacharya used its intranet to connect with its 300,000 people. With this move she was able to engage the employees in the bank's vision to deliver more value, rather than first sharing it with a small subset of people and then it cascading down.

Communication experts point out that she could not have articulated her vision better when she chose 3 simple themes - risk, delivery and collaboration - to help the bank achieve its vision of retaining the premier banking institution badge that others follow.

In her broadcast to employees, she minced no words when she admitted that the bank is under threat from more nimble organisations. Bhattacharya also placed the responsibility of undertaking any activity in the bank, with each employee, of understanding the inherent risk, and of measuring, monitoring and mitigating it.

By emphasizing the importance of collaboration among different product groups and employees Bhattacharya has cooked a perfect recipe for "problem solving" and won the hearts of her people. The success will really depend on how much they collaborate and leverage each other's knowledge.



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