



Include Bank employees, Officers under prioritised category : AIBEA appeals to PM

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UNITED NEWS OF INDIA

All India Bank Employees' Association (AIBEA) on Friday appealed to Prime Minister Narendra Modi to include bank employees and officers under the prioritised category along with other Coronavirus Warriors for the administration of COVID-19 vaccination.

In a letter to Mr Modi, a copy of which was marked to Finance Minister Nirmala Sitharaman, Health and Family Welfare Minister Harsh Vardhan and Indian Banks' Association (IBA) Chairman Rajkiran Rai G, AIBEA General Secretary Ch Venkatachalam said after all the traumatic experience the country and people have gone through in the last 8 to 9 months, there is a sigh of relief to hear that the vaccine is getting ready.

He said there are reports that the Government would commence the administration of the Covid vaccination on certain priority basis to various categories of people who are more vulnerable for the infection.

It is reported that the Expert Panel with the Health Ministry has recommended that the COVID-19 vaccine is to be distributed first in three groups – health care workers would be the top priority, followed by frontline workers that include the police, armed forces and disaster management volunteers, and lastly, people above the age of 50 years and those with comorbidities.

Mr Venkatachalam said the Government is well aware that bank employees have been working in the Bank branches without any interruption all these months braving all odds, risks and challenges.

They have truly worked as Covid Warriors and it is sad to record that many bank employees and officers became a victim of this infection and have lost their precious lives in discharge of their duties. Similarly many bank staff got infected and managed to get out of it back to normal health, he said, adding that even now bank employees are working under such threatening circumstances.

The AIBEA General Secretary said Bank employees have extended their continuous services to the people during the entire pandemic period. Buses did not ply. Trains did not run. Flights did not take off. Normal life of the people came to virtual halt. But Bank Branches, right from the metropolitan to the small hamlets, remained open to serve the people our country. We are proud that bank employees covered themselves with glory with their sense of duty during these risky times, the top Union leader said.

We are very happy that these commendable services were duly taken note of by the Government when their services came in for high appreciation by your goodselves as well as by the Finance Minister, Mr Venkatachalam maintained.

India's big co-operative banks facing trust-deficit; struggle to survive

Since 2003, 385 UCBs have had their licences cancelled or withdrawn, or have been merged with stronger ones, the RBI data shows.

DINESH UNNIKRISHNAN

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The collapse of UCBs like Punjab and Maharashtra Cooperative Bank (PMC Bank) has added to the customers' distrust.

At one point, co-operative banks used to be the preferred banking institutions for people in rural areas to meet their financial requirements. These institutions commanded the trust of the local communities. But, on account of widening trust-deficit and competition from stronger industry rivals, these entities are now struggling to survive; they have seen a sharp erosion in business in recent years.

Among them, urban cooperative banks (UCBs), the bigger ones in the cooperative banking universe, have seen a sharper decline in their loan growth and deposit growth in recent years. The collapse of UCBs like Punjab and Maharashtra Cooperative Bank (PMC Bank) has added to the customers' distrust.

According to RBI's report on Trend and Progress of Banking in India, the deposits of UCBs grew by 3.5 per cent in 2019-20 compared with 6.1 per cent in 2018-19 while loans and advances grew by just 0.8 per cent in 2019-20 compared with 8 per cent in 2018-19. The borrowings grew by just 4.9 per cent in FY20 compared with 39.2 per cent in FY19 while the reserves and surplus contracted by 9.2 per cent compared with a growth of 5.6 per cent in the previous fiscal year.

"Governance standards and inability to raise capital at market rates are weak points for co-operative banks," said Sanjay Agarwal, senior director at CARE Ratings.

Growth in deposits, which constitute 90 per cent of the total resource base of UCBs, decelerated in 2019-20 after a revival in the previous year. The average growth rate of deposits declined from 13.1 per cent in the first decade of the consolidation drive to 8 per cent during 2014-15 to 2019-20, in line with the growth in balance sheet size.

Since 2017-18, the deposit deceleration in UCBs was starker than in SCBs, pointing to the difficulties faced by UCBs in raising resources. The deposit deceleration was led by Scheduled UCBs. Supervisory data available with the Reserve Bank suggest the continuation of deceleration well into 2020-21.

After growing at an average rate of 7.8 per cent from 2015-16 till the previous year, loans and advances of UCBs almost stagnated in 2019-20, reflecting anaemic credit demand, the RBI said. The marginal credit expansion was mainly driven by non-scheduled UCBs, while credit from SUCBs contracted. Although deposit growth slumped, low credit demand contained borrowings from market and SCBs, the RBI said.

The asset quality too worsened. In 2019-20, the asset quality of both SUCBs (scheduled UCBs) and NSUCBs (non-scheduled) deteriorated, with the latter recording a larger increase in the GNPA ratio. The rise in NPAs may partly be attributable to the stagnant growth in loans and advances and weak balance sheets, the RBI said. During 2019-20, 4.8 per cent of NSUCBs had CRARs less than 9 per cent as opposed to 3.7 per cent in the previous year, while the corresponding figure for SUCBs remained around 7.4 per cent.

"Co-operatives banks used to help unbanked sections of India to access formal banking services. But with mainstream banks engaging with all category of customers aggressively through digital channels, the relevance of cooperatives has come down," Agarwal said.

Rivals pose threat

In recent years, as UCBs faced competition from other niche players like small finance banks and non-banking financial companies (NBFCs), and also had to reaffirm their credibility to depositors, their balance sheet growth has moderated, the RBI said. SFBs offer higher interest rates and better technology to customers which cooperative banks cannot match.

India has a total of 98,545 cooperative banks, of which 1,539 are UCBs. Of this, 54 are scheduled UCBs and 1,485 unscheduled banks. Of the 97,006 rural cooperative banks, the majority are primary agriculture credit societies—95,995 and 363 district cooperative banks and 33 state cooperative banks.

Rural co-operatives make up 65 per cent of the total asset size of all co-operatives taken together, the RBI said. At the end of March, 2020, the UCBs have total advance of Rs 3.05 lakh crore and deposits of Rs 5.01 lakh crore.

The Reserve Bank liberalised the licensing policy for UCBs in 1993, resulting in proliferation in their number in the country. Nearly one-third of the newly licensed UCBs, however, became financially unsound within a short period, the RBI said.

The Reserve Bank's Vision Document 2005 reversed the liberal licensing policy while envisaging a multi-layered regulatory and supervisory strategy aimed at shoring up their viability. This included merger or amalgamation of weak but viable UCBs with stronger ones and closure of the unviable ones.

Since 2003, 385 UCBs have had their licences cancelled or withdrawn, or have been merged with stronger ones, the RBI said. However, despite the fall in the number of UCBs, their combined asset size continuously increased, underscoring the improvement in their financial position and effectiveness of the consolidation drive. Beginning in 2004-05, UCBs have undergone 136 mergers till March 2020, with Maharashtra accounting for more than half of them, the RBI said.

RBI tightens scrutiny

As the cooperative banks have suffered from corporate governance issues and dual regulation, the central bank has been tightening its grip on these banks. The last big bank collapse in the cooperative sector was PMC Bank which plunged into a crisis following financial irregularities and careless lending. The RBI, which superseded the bank's board in September 2019, is yet to work out a resolution for the lender.

As Moneycontrol reported in an earlier story, in 2020, the RBI has issued a total of 106 directives to co-operative banks either restricting their business operations or extending the period of existing directions. About 60 of them were in the second half of the year. In other cases, the regulator imposed a monetary penalty. Even in the cases of three banks where licences were withdrawn, the RBI had imposed business restrictions previously. Three licences were cancelled. These are Karad Janata Sahakari Bank, CKP Co-operative Bank in Maharashtra and the Mapusa Urban Co-operative Bank of Goa.

The list of co-operative banks which have been under the closer watch of the regulator (where directions have been issued) is long and includes lenders from across the states. A large number of them were from Maharashtra. The names include The Needs of Life Co-operative Bank, Mumbai, The City Cooperative Bank, Dr. Shivajirao Patil Nilangekar Urban Co-operative Bank Ltd, Bhagyodaya Friends Urban Co-OP Bank, Shivam Sahakari Cooperative Bank and so on. In 2020, the regulator cracked the whip on Tamil Nadu-based Thiruvaikuntam Coop Bank, West Bengal-based Kolikata Mahila Coop Bank, Mudhol Cooperative Bank, Hindu Cooperative Bank, Punjab and Sikar Urban Cooperative bank among others.

"Frequent failures of cooperative banks have created a trust deficit among borrowers," said Agarwal of CARE.

With SFBs gaining ground and competition from SCBs taking a toll on their market, the UCBs will have tough days ahead in terms of survival and new business acquisition.

Accounts of Anil Ambani's Reliance Companies Declared Fraud: SBI To Delhi High Court

Under Reserve Bank rules, an account can turn into a Non Performing Asset for default of payment for a period. Once an account is declared as "fraud", the matter has to be reported to the Reserve Bank and request made for a CBI inquiry if the amount involved in the fraud is above ₹ 1 crore

by Arvind Gunasekar, Edited by Anindita Sanyal
January 07, 2021 by Taboola New Delhi: **NDTV**

The bank accounts of Reliance Communication, Reliance Telecom and Reliance Infratel -- all owned by Anil Ambani -- have been classified as "fraud" the State Bank of India has told the Delhi High Court, opening up possibilities of a probe by the Central Bureau of Investigation. The court has asked the bank to maintain status quo on the accounts.

The former Director of Reliance Communication, Punit Garg, had gone to the High Court challenging the Reserve Bank's 2016 circular, regarding declaration of accounts as fraud. He had contended that the circular is against the principle of natural justice, as accounts can be declared as fraud without hearing the parties.

Today, the bank said its audit division has found evidence of diversion of funds, and other irregularities.

Under the Reserve Bank rule challenged, an account can turn into a Non Performing Asset for default of payment for a period.

Banks then conduct forensic audit on these accounts and if the audit reveals misappropriation of funds, diversion, siphoning of funds etc, which are all illegal activities, the account is classified as "fraud".

Once an account is declared as "fraud", the matter has to be reported to the Reserve Bank within a week.

The rules also say the bank should file a complaint with the Central Bureau of Investigation if the amount involved in the fraud is above ₹ 1 crore. If the amount is less than one crore, the local police investigates the issue. This should be done within 30 days of the reporting to the Reserve Bank.

Though the court has ordered status quo on the accounts, the bank can continue with its investigation and the mandatory filing of complaints when an account is declared fraud.

At the time of filing of bankruptcy, creditors had claimed Reliance Communications owed over 49,000 crore Reliance Infratel owed over 12,000 crore and Reliance Telecom owed it over 24,000 crore according to the data made available on the website of the Rcom.

Comment of the spokesperson is awaited

HC asks RBI, SBI to maintain status quo on accounts of three Anil Ambani-led firms

06 Jan 2021, **Prathma Sharma**, The Mint

The petitioner has argued that the circular violates the principles of natural justice as it does not grant the affected parties any opportunity to be heard.

NEW DELHI : The Delhi high court on Wednesday directed the State Bank of India (SBI) and the Reserve Bank of India (RBI) to maintain status quo concerning the accounts of Anil Ambani's Reliance Communications Ltd (RCom), Reliance Telecom and Reliance Infratel.

A petition by RCom's former director Punit Garg has challenged certain vires (powers) of RBI circular 2016 on the classification of the accounts as fraud.

The petitioner has argued that the circular violates the principles of natural justice as it does not grant the affected parties any opportunity to be heard.

In view of the orders passed earlier by the high court in similar matters, Justice Prateek Jalan directed SBI to "maintain status quo till next date of hearing" with regard to the accounts of the three companies.

The high court, however, granted SBI the liberty to take any step in the nature of an investigation or to file any complaint proceedings independent of the order declaring the accounts as "fraud accounts".

The court, while issuing notice on the petition, sought response from the parties, and listed the matter for hearing on 13 January.

Right to religion not higher than right to life: Madras High Court

Chennai: 7 January 2021, Economic Times

Right to religion is not higher than the right to life, the Madras High Court observed and directed the state to explore the possibility of conducting rituals at a temple in Tamil Nadu without compromising on COVID-19 protocol, public health. Hearing a PIL petition, Chief Justice Sanjib Banerjee orally remarked, "religious rites have to be subject to public interest and the right to life."

"The right to religion is not higher than right to life.. If the government has to take measures in a pandemic situation .. we will not seek to interfere," the Chief Justice observed on Wednesday.

The first bench comprising Chief Justice Banerjee and Justice Senthilkumar Ramamoorthy directed the government to look at the feasibility of conducting festivals and rituals at Srirangam Ranganathaswamy Temple in Tiruchirappalli district without compromising on COVID-19 protocol and public health.

The petitioner, Rangarajan Narasimhan sought a direction to Hindu Religious and Charitable Endowments Department to conduct temple festivals and rituals regularly at the ancient Srirangam temple.

The Chief Justice also recalled that the Calcutta High Court had passed orders to regulate the conduct of Durga Puja festivities to reduce crowd amid the pandemic.

Senior Advocate Satish Parasaran, representing the temple management, said some of the festivals were conducted during the pandemic but at different dates.

Recording the submissions, the court directed the government to consult religious heads to examine the possibility of conducting festivities without compromising public health.

World food price index rises for seventh month running in December: FAO

The Food and Agriculture Organization's food price index, which measures monthly changes for a basket of cereals, oilseeds, dairy products, meat and sugar, averaged 107.5 points last month versus 105.2 in November.

REUTERS JANUARY 07, 2021 /



World food prices rose for a seventh consecutive month in December, with all the major categories, barring sugar, posting gains last month, the United Nations food agency said on Thursday.

The Food and Agriculture Organization's food price index, which measures monthly changes for a basket of cereals, oilseeds, dairy products, meat and sugar, averaged 107.5 points last month versus 105.2 in November.

The November figure was previously given as 105.0.

For the whole of 2020, the benchmark index averaged 97.9 points, a three-year high and a 3.1 percent increase from 2019. It was still down more than 25 percent from its historical peak in 2011.

Vegetable oil prices continued recent strong gains, jumping 4.7 percent month-on-month in December after surging more than 14.0 percent in November. For the whole of 2020, the index was up 19.1 percent on 2019.

FAO said supply tightness in major palm oil producing countries had pushed prices up, while trade was also impacted by a sharp hike in export duties in Indonesia. Prices for soy oil rose partly because of prolonged strikes in Argentina. [POI/]

The cereal price index posted a more modest 1.1 percent rise in December from the month before. For all of 2020 the index averaged 6.6 percent above 2019 levels.

Export prices for wheat, maize, sorghum and rice all rose in December, moving higher in part due to concerns over growing conditions and crop prospects in North and South America as well as Russia, the Rome-based FAO said.

The dairy index climbed 3.2 percent on the month, however, over the whole of 2020, it averaged some 1.0 percent less than in 2019.

In December, all components of the index rose due to strong global import demand triggered by concerns over drier and warmer conditions on Oceania's milk production as well as high internal demand in Western Europe.

The meat index pushed up 1.7 percent last month, while its full-year average was 4.5 percent below that of 2019. FAO said poultry quotations rebounded in December, partly due to the impact of avian influenza

outbreaks in Europe. However, pig meat prices fell slightly, hit by the suspension of German exports to Asian markets following African Swine Fever outbreaks.

Bucking the rises in other indices, average sugar prices dipped by 0.6 percent in December. For 2020 as a whole, the sub-index posted a most 1.1 percent gain on 2019 levels. FAO said the relative firmness of latest data reflected a surge in imports by China and increased demand for refined sugar from Indonesia.

FAO did not issue an updated forecast for worldwide cereal harvests in January. Its next estimate is due in February.

Last month, FAO revised down its forecast for the 2020 cereal season for a third month running, cutting it to 2.742 billion tonnes from a previous 2.75 billion tonnes.

Economy expected to contract 7.7% in 2020-21 compared to 4.2% growth in 2019-20: Report

Indian economy expected to contract 7.7% in 2020-21 compared to 4.2% growth in 2019-20, reports PTI citing govt data

By Press Trust of India |
Shankhyaneel Sarkar | Hindustan Times, New Delhi
JAN 07, 2021

Indian economy is estimated to contract 7.7 per cent in 2020-21 compared to 4.2 per cent growth in the previous fiscal, mainly on account of the impact of the COVID-19 pandemic.

As per the first advanced estimates of the national income released by the National Statistical Office (NSO) on Thursday, there was contraction in almost all sectors with the exception of agriculture.

“Real GDP or GDP at Constant Prices (2011-12) in the year 2020-21 is likely to attain a level of Rs 134.40 lakh crore, as against the Provisional Estimate of GDP for the year 2019-20 of Rs 145.66 lakh crore... The growth in real GDP during 2020-21 is estimated at -7.7 per cent as compared to the growth rate of 4.2 per cent in 2019-20,” it said.

In the current fiscal, manufacturing sector is likely to see a contraction 9.4 per cent whereas growth was almost flat at 0.03 per cent in the year-ago period.

The NSO estimates significant contraction in 'mining and quarrying', and 'trade, hotels, transport, communication and services related to broadcasting'.

Agriculture sector is estimated to see a growth of 3.4 per cent in 2020-21. However, it will be lower than 4 per cent growth recorded in 2019-20.

The economy contracted 23.9 per cent in the first quarter and 7.5 per cent in the second quarter.

RBI to banks: Ensure authority, stature, independence, resources to internal audit function

[Our Bureau](#) Mumbai | January 08, 2021

THE HINDU
BusinessLine

Forbids outsourcing the function; however, experts, including former staff, can be hired on contract

The Reserve Bank of India (RBI) has asked banks to ensure that the internal audit function has sufficient authority, stature, independence and resources within the bank to enable internal auditors to carry out their assignments with objectivity. It also emphasised that this function cannot be outsourced.

These directives are aimed at strengthening governance arrangements in banks under the Risk-Based Internal Audit (RBIA) Framework.

The central bank said the Head of Internal Audit (HIA) should be a senior executive of the bank with the ability to exercise independent judgement.

The HIA as well as the internal audit function should have the authority to communicate with any staff member and have access to all records or files that are necessary to carry out the entrusted responsibilities.

RBI underscored that requisite professional competence, knowledge and experience of each internal auditor is essential for the effectiveness of banks' internal audit functions.

The desired areas of knowledge and experience may include banking operations, accounting, information technology, data analytics and forensic investigation, among others.

The HIA will directly report to either the Audit Committee of the Board (ACB) / MD & CEO or Whole Time Director (WTD).

"Should the Board of Directors decide to allow the MD & CEO or a WTD to be the 'reporting authority' of the HIA, then the 'reviewing authority' shall be with the ACB and the 'accepting authority' shall be with the Board in matters of performance appraisal of the HIA," the RBI said in a circular.

Besides, in such cases, the ACB should meet the HIA at least once in a quarter, without the presence of the senior management, including the MD & CEO/WTD.

As per the circular, the HIA will not have any reporting relationship with the business verticals of the bank and will not be given any business targets.

In foreign banks operating in India as branches, the HIA will report to the internal audit function in the controlling office / head office.

Except for the entities where the internal audit function is a specialised function and managed by career internal auditors, the Board should prescribe a minimum period of service for staff in the Internal Audit function and HIA should be appointed for a reasonably long period, preferably for a minimum of three years.

"The Board may also examine the feasibility of prescribing at least one stint of service in the internal audit function for those staff possessing specialised knowledge useful for the audit function, but who are posted in

other departments, so as to have adequate skills for the staff in the Internal Audit function,” RBI said.

The central bank observed that the independence and objectivity of the internal audit function could be undermined if the remuneration of internal audit staff is linked to the financial performance of the business lines for which they exercise audit responsibilities.

Thus, the remuneration policies should be structured in a way that it avoids creating conflict of interest and compromising audit’s independence and objectivity.

No outsourcing

While the internal audit function should not be outsourced, RBI said where required, experts, including former employees, could be hired on contractual basis subject to the ACB being assured that such expertise does not exist within the audit function of the bank.

“Any conflict of interest in such matters shall be recognised and effectively addressed. Ownership of audit reports in all cases shall rest with regular functionaries of the internal audit function,” the circular said.

RBI has encouraged banks to adopt the International Internal Audit standards, such as those issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA).



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