AIBEA's Banking News

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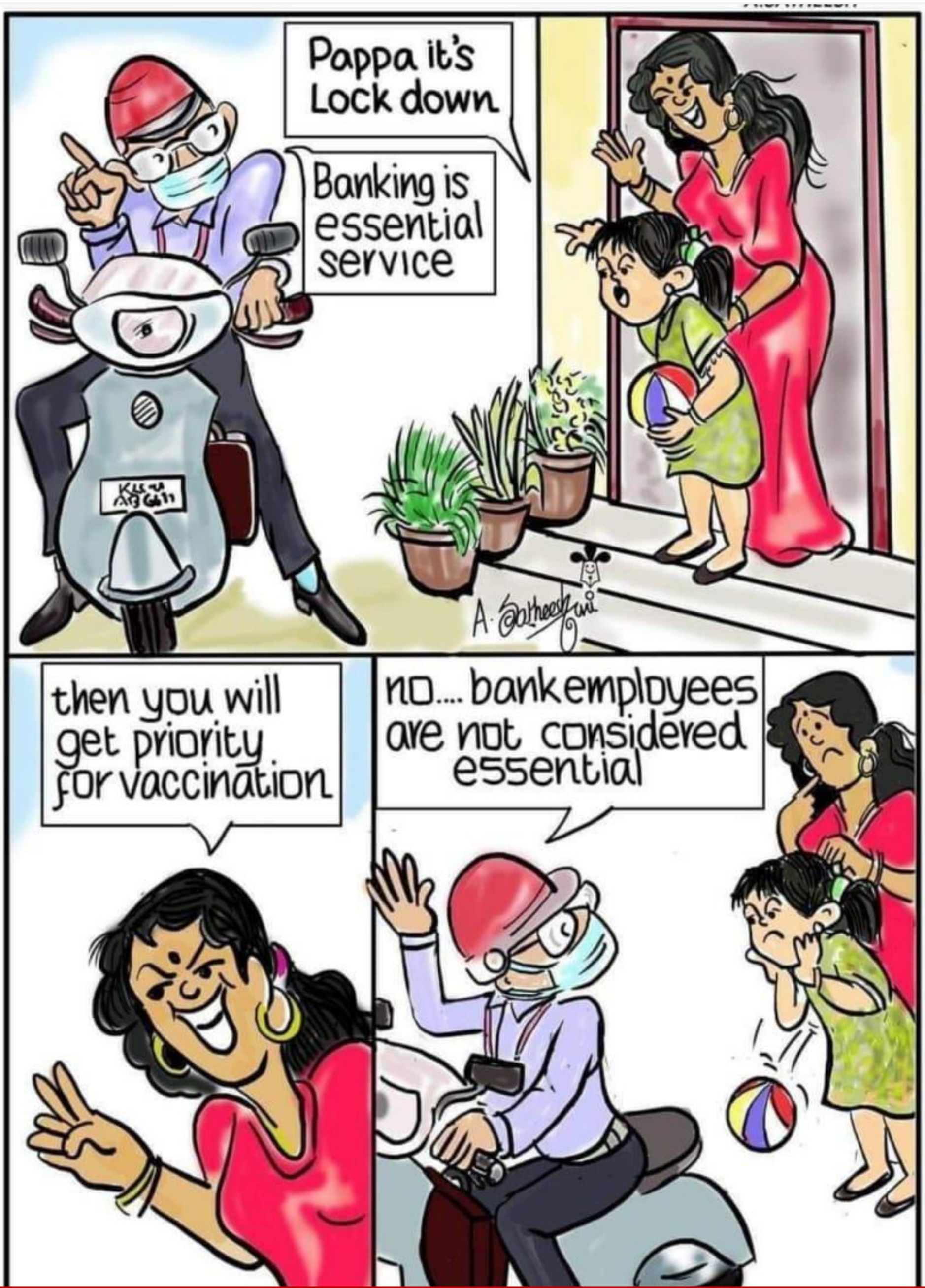
NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Painful joke



We demand vaccination on priority for bank employees.

AIBEA

Bank credit shrinks by Rs 89,087 cr in April on second wave impact

The bank credit expanded by 5.7 per cent in 12 months till April 23, 2021, as against 6.8 per cent a year ago

Abhijit Lele | Mumbai May 7, 2021 BUSINESS STANDARD

Commercial bank credit in India contracted 0.8 per cent (Rs 89,087 crore) in April, reflecting a lean period at the start of the new financial year (FY22) and the adverse effect of the second wave of Covid-19. The outstanding credit as of April 23, 2021, was Rs 108.60 trillion, according to the Reserve Bank of India data.

In April FY21, credit had shrunk 0.9 per cent.

In absolute terms, bank credit usually declines in the first month of the new financial year, as it is a lean period, CARE Rating said in a statement. This trend has been observed for the last five years.

The year-on-year (YoY) growth in loans has also shown moderation amid the rising cases of coronavirus. Bank credit expanded 5.7 per cent in the 12 months till April 23, against 6.8 per cent a year ago.

Bankers said it is too early to estimate the pace of credit in months ahead. What is certain is that the health crisis and related lockdowns will hit consumption and credit demand. However, the RBI's regulatory package with focus on individuals and small businesses may help support the system.

The deposit accretion activity was low in April. The aggregate deposits of banks rose by just Rs 20,798 crore over March. In April 2020, deposits had grown by Rs 1.55 trillion. The outstanding deposits stood at Rs 151.34 trillion as of April 23, 2021.

The YoY growth in deposit was higher at 10.3 per cent (till April 23, 2021) against 9.9 per cent a year ago.

Govt banks join hands to bring services to doorsteps

At present, 11 non-financial services like cheque pick-up, requests for account statements, tax documents like TDS certificates and digital life certificate, etc can be done sitting at home.

ET Now Digital, May 07, 2021

New Delhi: State-owned banks have joined hands to form a new company that will take banking services to the doorsteps of their customers as the second wave of Covid-19 pandemic has severely affected operations.

According to a report in the Economic Times, the new company is called PSB Alliance Pvt Ltd and it will engage banking correspondents on behalf of the 12 public sector banks under a common standard operating procedure (SoP) to provide financial and non-financial services at customers' homes.

Former State Bank of India (SBI) chief general manager and deputy CEO of Reliance Jio Payments Bank, Rajinder Mirakhur has been appointed as CEO of the new company.

"Currently, different PSBs engage different banking correspondents (BCs) for their doorstep banking services. With this company we are hoping to provide resources which can be used by all PSBs at a low cost," the business daily quoted Mirakhur as saying.

At present, 11 non-financial services like cheque pick-up, requests for account statements, tax documents like TDS certificates and digital life certificate, delivery of pay orders etc can be done through this facility. Cash withdrawal is the only financial service currently provided. PSB customers can request these services through web, mobile app or phone after an OTP-based verification process.

Customers availing this service will have to pay a fee of about Rs 88 per service including GST. A part of this fee will go to the vendor providing the service and the rest to the bank. Currently, two vendors, Atyati

Technologies and Integra Microsystem have been hired for delivery of the services.

"We are still finalising the model to scale up. We can either hire different BCs and use their technology and manpower or create our own application to be used pan India by all BCs servicing PSBs which will create standardisation and ensure all can plug into the system, which is more feasible," Mirakhur told the publication.

PSB Alliance has a capital base of Rs 14 crore and has emerged out of another PSB-promoted company Cordex India, formed in 2010, to study operational risk in banks. The articles of association of Cordex were changed on April 29 to include doorstep banking services after it received approval from the companies registrar as PSB Alliance, the business daily mentioned.

Two private-sector lenders IDBI Bank and ICICI Bank were also investors in Cordex but will surrender their stakes in favour of PSBs.

Bankers said the model has various benefits. "It gives us economies of scale, collective bargaining and pooling of resources. Most of all, it gives us a collective knowledge pool which will help us to benefit from each other's experiences," the business daily quoted Rajkiran Rai, MD at Union Bank of India as saying.

Mirakhur said each public sector bank has deputed one person as an employee of PSB Alliance.

RBI excludes Lakshmi Vilas Bank from second schedule of RBI Act

A bank mentioned in the Second Schedule of the Reserve Bank of India Act is known as 'Scheduled Commercial Bank'.

CNBC-TV18 May 06, 2021

The Reserve Bank of India (RBI) on Thursday said it has excluded Lakshmi Vilas Bank (LVB) from the Second Schedule of the RBI Act after it was merged with DBS Bank India Ltd (DBIL) last year.

"We advise that the “Lakshmi Vilas Bank Ltd” has been excluded from the Second Schedule to the Reserve Bank of India Act, 1934 with effect from November 27, 2020, vide Notification DOR.PSBD.No.1849/ 16.01.067/ 2020-21 dated December 17, 2020, which is published in the Gazette of India (Part III - Section 4) dated January 16 – January 22, 2021," RBI said in a notification on Thursday.

A bank mentioned in the Second Schedule of the Reserve Bank of India Act is known as 'Scheduled Commercial Bank'.

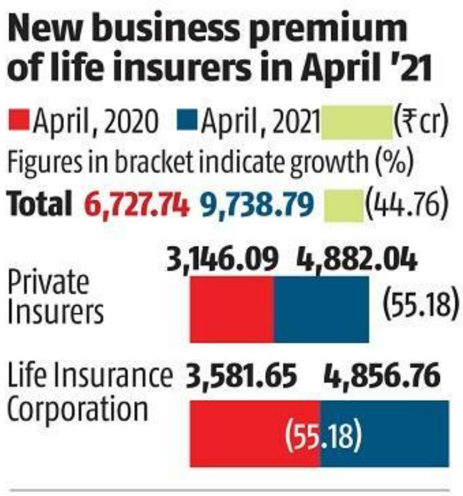
Last year in November, the government had approved the merger of crisis-ridden Lakshmi Vilas Bank with DBS Bank India. The RBI had also superseded the board of the LVB and appointed T N Manoharan, former non-executive chairman of Canara Bank, as the administrator of the bank for 30 days.

LVB is the second private sector bank after Yes Bank which has run into rough weather during this year. In March, capital-starved Yes Bank was placed under a moratorium. The government rescued Yes Bank by asking the state-run State Bank of India to infuse Rs 7,250 crore and take a 45 percent stake in the bank.

Life insurance companies' new premium business up 45% at Rs 9,739 crore

While the NBP of private insurers, 23 in total, grew 55.18 per cent over the same period last year, state-owned Life Insurance Corporation reported 35.6 per cent growth

Subrata Panda | Mumbai May 7, 2021



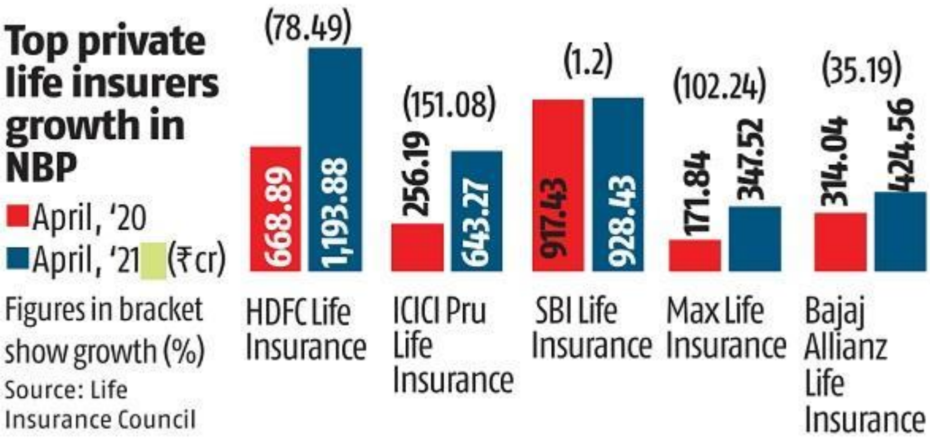
Life insurance companies have seen a 44.76 per cent rise in new business premium (NBP) in April due to low base in the same period last year.

While the NBP of private insurers, 23 in total, grew 55.18 per cent over the same period last year, state-owned Life Insurance Corporation (LIC) reported 35.6 per cent growth.

In April 2020, the life insurers had seen a 32 per cent drop in NBP due to the strict lockdown imposed to check the spread of coronavirus.

Top private life insurers have reported robust growth in NBP for April, with ICICI Prudential clocking 151 per cent growth, HDFC Life 78 per cent growth, and Max Life 102 per cent.

The life insurers ended the previous financial year (FY21) on a high, defying expectations that the sector might see a contraction in FY21. In March, the NBP of life insurers grew by 70 per cent year-on-year. In FY22, experts expect increased awareness of insurance, a digital push for insurance, and an increase in term plan premiums could drive the premiums for life companies.



RBI's Rs 50K cr liquidity facility can augment hospital bed capacity by 20%: Crisil

PTI | May 07, 2021

THE FINANCIAL EXPRESS

At present, hospitals pay up to 11 per cent in interest on their borrowings, and the new loans under the new schemes will be cheaper by up to 3.50 per cent, it said

It is still early for healthcare players to evaluate their expansion plans

Reserve Bank’s Rs 50,000-crore liquidity window can help augment the bed capacity at hospitals by up to 20 per cent as credit will be available at cheaper costs, credit ratings agency Crisil said on Friday.

The window to banks under priority-sector lending to augment COVID-19 healthcare infrastructure will help raise treatment capacity, and availability of medicines and medical equipment, it said.

It can be noted large parts of the country’s healthcare infrastructure have been overwhelmed, exposing the shortfalls in the capacity, as the country battles the second wave of the pandemic where number of officially reported has breached the 4 lakh mark and deaths hover around 3,500 a day. The RBI created the facility throwing in a lot of incentives for banks on Wednesday.

“Hospitals could be among the biggest beneficiaries as the incremental funding can potentially increase bed capacity in the country by 15-20 per cent,” a note from the rating agency said.

Banks are expected to lend for healthcare activities below the current rates of lending, courtesy the scheme, which entails loans being available to banks at repo rate till March 2022 which are to be utilised for onlending and also earn a priority sector lending classification, Crisil said.

Under the RBI guidelines, loans can be extended to makers and suppliers of vaccines and drugs, hospitals, pathology labs, oxygen suppliers, makers of emergency medical equipment, logistics firms, and COVID-19 patients as well, the agency said.

The agency said 354 companies it rates, with an aggregate bank exposure of Rs 40,000 crore, will be eligible for such loans. Pharmaceutical firms account for 68 per cent of the rated bank exposure, but hospitals (24 per cent of rated exposure) are likely to avail majority of the funding available, it said.

At present, hospitals pay up to 11 per cent in interest on their borrowings, and the new loans under the new schemes will be cheaper by up to 3.50 per cent, it said.

“Increased availability of funds at low cost will incentivise hospitals to augment beds, oxygen storage, ICUs and critical medical equipment,” its chief ratings officer Subodh Rai said.

If half of the Rs 50,000 crore window is utilised by augmenting hospital beds, the number of beds will go up by 15-20 per cent of the current capacity, he added.

Companies in other health care related sectors such as pharmaceuticals, the capital requirements for enhancing production capacity of critical COVID-19 related drugs is not very high, it said, adding that pharma players borrow money at much lower costs of 8-8.5 per cent and will not be keen to avail credit under this.

Additionally, companies manufacturing vaccines have already been supported by the government for their funding requirements of Rs 5,000 crore.

However, while incentives under the liquidity window are attractive, hospital firms would carefully evaluate decisions considering sustainability of demand and availability of critical resources such as manpower and equipment, the agency said.

“Augmenting healthcare infrastructure has challenges beyond capital requirements. Higher lead times for equipment and availability of qualified manpower are critical factors that can create bottlenecks,” its senior director Anuj Sethi said.

He cited the case of the injection Remdesivir, pointing out that the outlay to increase the production capacity of 7 crore doses is only Rs 200-250 crore, but lead times for ordering and installation of machines exceed a year. It is still early for healthcare players to evaluate their expansion plans. There will be more clarity once banks and lending institutions announce their policies for loans, and eligible firms decide on capital spends, the agency observed.

Outstanding credit of all scheduled banks sees drop in April

Our Bureau Mumbai | May 08, 2021

THE HINDU BusinessLine

The asset quality of banks showed an improvement with the GNPA ratio of scheduled commercial banks (SCBs) declining from 11.5 per cent in March 2018 to 10.8 per cent in September 2018

Credit decline in April reduced in the last two years

Outstanding credit of all scheduled banks collectively declined by a lesser quantum in the reporting fortnight ended April 23, 2021 as compared to the corresponding fortnight year ago, according to Reserve Bank of India data.

The outstanding credit of all scheduled banks declined by Rs.30,208 crore in the reporting fortnight against a Rs.72,085 crore fall in the year go fortnight.

State Bank of India's economic research report "Ecowrap" observed that the credit decline in April reduced in the last two years.

"It is well known that both deposits and credit of all the banks always decline in April, as banks mobilise/ disburse more in the last fortnight of the financial year to meet the year end targets

"...It seems the demand for credit has increased much more due to pandemic," the report said.

Bank deposits in the reporting fortnight declined substantially (by Rs.80,154 crore) against decline of only Rs.732 crore in the year ago fortnight.