

OFFICERS' CAUSE

JUNE -2023



Editorial

STAFF ACCOUNTABILITY FOSTERING TRUST AND PROGRESS



The concept of staff accountability in the banking sector is a vital aspect that ensures to hold individuals responsible for their actions and decisions. However, it is crucial to strike a balance between

accountability and creating a culture of fear and mistrust. There are three pressing issues relating to staff accountability mechanisms that hinder the progress of public sector banks in India. Addressing these challenges promptly is essential to foster sustainable growth and boost the morale and development of our dedicated staff.

1. Lack of support for bonafide decisions in bad loans

One of the primary challenges facing public sector banks is the absence of unwavering support for bonafide decisions when faced with bad loans. This predicament not only paralyzes the decision-making process but also instills fear and

hesitancy among staff members. Recognizing that mistakes are inevitable in any complex system, including banking, we must cultivate an environment where errors are seen as valuable learning experiences rather than grounds for punishment.

To address this issue, we must embrace a culture of accountability coupled with supportive measures. Implementing comprehensive training programs, conducting periodic reviews, and establishing knowledge-sharing platforms will equip our employees with the necessary skills and insights to make more effective loan assessments. Shifting the focus from blaming individuals for unsuccessful loans to identifying systemic issues and rectifying them collaboratively will pave the way for a more supportive and conducive environment.

2. Lack of a robust fraud detection mechanism

Another critical challenge that public sector banks face is the absence of a robust fraud detection mechanism. This deficiency poses a significant threat to our ability to distinguish between bonafide and malafide decisions, undermining the integrity of our operations. To

safeguard our institutions and the trust placed in us by stakeholders, we must invest in advanced technologies, analytics, and data-driven systems that effectively detect and prevent fraudulent activities.

Leveraging artificial intelligence, machine learning, and data analytics tools can enable us to identify suspicious patterns, detect anomalies, and promptly flag potential instances of fraud. Establishing an effective centralized fraud reporting system that encourages staff to report suspicious activities without fear of reprisal is essential for creating a culture of vigilance and accountability. Such measures will protect our banks from financial losses and contribute to the overall stability and resilience of our financial ecosystem.

3. Lack of a uniform accountability system

The absence of a uniform accountability system in public sector banks has resulted in a regrettable scenario where senior management often holds middle management and juniors as scapegoats for loans gone wrong. Further, when some officials escape accountability for their actions, even when they have made serious lapses or acted with malafide intent, it creates a culture of favouritism and nepotism, where those with power and influence are protected, while honest officials are left to bear the brunt of minor mistakes. This unfair practice not only erodes trust and demotivates employees but also perpetuates a culture of blame-shifting rather than addressing the root causes of failures.

It is imperative that we establish a transparent and consistent accountability framework that

protects honest officials and holds all levels of management accountable for their actions without allowing any undue advantage. Senior management must lead by example and create an environment that encourages open communication, constructive feedback, and shared responsibility. By nurturing a sense of ownership and teamwork, we can align the goals and actions of all stakeholders toward the collective success of our banks.

Last year, the Finance Ministry recognized fundamental issues, formulated broad guidelines and advised banks to frame the procedures to address them. However, it is disheartening that the implementation of this framework has been inadequate, leaving us grappling with persistent challenges. It is very important to prioritize the effective implementation of these proposed solutions, as they hold the key to unlocking the true potential of our public sector banks.

Ultimately, the responsibility for creating a culture of accountability lies with the top executives of the banking sector. Unless they are willing to put the organization first and implement the guidelines in the true spirit, there is no meaning to ethics and value statements in the organization. By acknowledging and resolving these issues, we can cultivate a culture of trust, innovation, and accountability within our institutions. Our collective efforts in addressing these challenges will not only enhance the efficiency and effectiveness of our operations but also restore public confidence in public sector banks as pillars of stability and progress. ■

PAY PARITY: SPECIAL PAY FOR OFFICERS

Text of AISBOF Letter No. 7508/23/23, dated, 22/05/2023 addressed to the Dy. Managing Director (HR) & Corporate Development Officer, State Bank of India, Mumbai- 400021.

Sir, we are writing to bring your attention to the pressing matter of pay disparity among officers and urge upon your good office to consider the introduction of a special pay for officers, in commensuration with their experience, skill and the level of responsibility the officers concerned are supposed to discharge.

2. It is imperative that we address this issue of disparity in pay band vis-a'-vis our workman counterpart and provide officers with a remunerative empowerment that aligns with the value they bring to their roles fostering a sense of fairness and promoting professional growth. We have on several occasions represented the issues of disparity in different forums with due illustrations showing the disparity of pay of officers. The plausible solution to the issue was also put forward from our end and elaborately discussed during the course of every CNC that followed since March 2021. We once again refresh on our demand for the expeditious implementation of the proposed special pay by attaching Annexure 'A', which contains illustrations referencing our previous set of proposals for your kind perusal and concrete resolution of the disparity that has been a cause for concern for all the officers across the hierarchy.

3. Drawing an inspiration from the Bank's remarkable financial performances in the last fiscal year, we believe it is the most appropriate occasion for the Bank to acknowledge the contribution of the workforce in achieving the same and incentivising the officers cadre with their much needed pay parity will surely give a fillip to the motivational quotient of the officers which will inspire them to devote more for the growth, put their endeavour resulting the Bank achieve new heights with more financial glories in future.

4. Taking a cue from the aspirations of the Bank Officers as well to match the convenience of the authority and also leveraging on the huge profit that the bank has made, we suggest for introduction of

differential, 'special pay' to the officers across the scales with DA and HRA components incorporated in it which shall also rank for superannuation benefits. This suggestion if fetches implementation, will surely address the anomalies in pay band for officers and will also protect the dignity as well as address the issue of higher the responsibility, higher the remuneration aspect. As such, we suggest implementation of such 'pay' for officers across all grades under different pay bands according to the years of service put in by them with the Bank.

5. Sir, the proposed 'special pay' protecting the dignity of the officers as well his/her social status will further inspire the employees to seek promotions and shoulder higher responsibilities. By doing so, we can arrest the attrition rate and attract talented individuals to join the banking sector, solidifying our Bank's reputation as one of the best employers. It might be relevant to refer a court verdict that emphasised the need for monetary incentives to promote officers to higher positions. In the case of State Bank of India Officers' ... vs Chief General Manager and Anr. on 22 February, 2006, the Hon'ble court has observed that "A broad protection of salary drawn as a clerk has to be supplemented by an incentive for performance of higher responsibilities as an officer. If monetary advantage is seen in continuing as a clerk, the incentive for promotion as officer would disappear".

6. Maintaining a special pay that respects seniority and in commensuration with the experiences of the officers thus becomes imperative to safeguard the social status of an individual and enhance our Bank's reputation. Additionally, the superannuation benefit shall ensure that one's standard of living during the service is maintained and does not fall short on account of their superannuation drastically.

7. We fervently request to take this issue on priority basis and accord a solution that aligns with the Bank's vision, values and long-term objectives. We assure you of our commitment to the Bank's success and look forward to a positive resolution that addresses the concerns raised by the Federation.

Thank you for your kind attention to this matter. We sincerely hope for your favourable response.■

OBJECTIVE AND SYMPATHETIC CONSIDERATION OF OFFICERS' REPATRIATION

Text of AISBOF Letter No. 6466/26/23, dated 01/06/2023, addressed to the Dy. Managing Director (HR) & Corporate Development Officer, State Bank of India, Mumbai- 400 021.

Sir, we are receiving representations from officers belonging to the 2017 batch, requesting their repatriation to their parent circle. In this connection, it is worth mentioning that the minimum duration of stay after ICT was initially set at 3 years, which was later extended to 4 years. Last year, the policy was further revised to require a minimum of 5 years of service in the current circle. In line with the bank's established policy, these officers have completed the mandated period and are now awaiting repatriation to their parent circle.

You will also appreciate that the demand expressed by these officers is justified. We have been diligently following up this matter with HR department for over a month. Our organization takes pride in its reputation for having the most officer-friendly HR policies. Therefore, we kindly request you to objectively and sympathetically consider the officers' request for repatriation.

Your understanding and support in this matter will not only ensure compliance with the bank's policies but also contribute to the overall morale and well-being of our officers. We believe that a fair and compassionate decision will further strengthen the trust and commitment of our employees towards the organization.■

LETTER TO IBA FROM FOUR OFFICERS' ORGANISATIONS LEAVE FARE CONCESSIONS FOR OFFICERS – REMOVAL OF ANOMALY

The text of AIBOC Circular No. 2023/21, dated 30.05.2023, reproduced the text of the communique submitted to IBA from four officers' organisations dated 30/5/2023.

Date: 30.05.2023

**The Chairman
Indian Banks' Association ,Mumbai**

Dear Sir,

Leave Fare Concession for Officers-Removal of Anomaly

We have reference to our previous sets of discussions where we brought to your kind notice the aspect of Monetization of LFC outlining an alignment with the facility available in RBI. We once again reiterate our demand drawing reference to the detailed note submitted as part of the 8th joint note exercise underscoring certain anomalies which needs to be re-examined and rectified to best suit the cause of officers of the Public Sector Banks as well.

2. Though it was agreed upon to work out various modalities as regards LFC, it remains a matter of irony to note that the issue could not be given a final shape during the course of the last wage revision exercise. You may rightly recall that during the earlier rounds

of discussions on residual issues our four organizations submitted that the anomaly emanated during the implementation should be set right. Ironically, when one of the spouses is an officer and the other is a workman working in the same bank, it is within the rules of the bank to allow both of them to avail the facility, not violative of the service condition, whereas, where both of them are officers they cannot avail the facility of their respective spouses. This is an anomaly in the service condition of the officers.

3. It thus becomes imperative to take care of the motivational aspect of the officers and the perceived anomaly crept in the last wage revision exercise thus needs to be rectified on an urgent basis as a substantive period of two years have already elapsed. Offering better perquisites to officers shall in turn attract quality manpower and result in retention of talents in the banking industry against large scale attritions that has become the order of the day.

4. We therefore urge upon you to issue an advisory to the member banks who are party to the 8th Joint Note setting right the anomaly in LFC thereby facilitating both the working spouses in the officers' cadre to have the facility of availing LFC independently.

WORK IS WORSHIP , DO YOUR DUTY

UFBU WRITES TO IBA FOR EARLY RESOLUTION OF RESIDUAL ISSUES OF THE XIth BIPARTITE/ 8th JOINT NOTE

Text of AIBOC Circular No. 2023/22, dated 02.06.2023, reproduced the text of the communique submitted to IBA from the Convenor, UFBU letter no 2023/5, dated 02/06/2023, Addressed To Shri. Brajeshwar Sharma, Sr. Advisor – HR & IR, Indian Banks' Association, Mumbai.

1. Introduction of 5 Banking Days per Week: You are aware that in the last round of meeting held on 28-02-2023, tentative understandings were reached on the revision in business hours in order to introduce the system for 5 Banking Days per Week. You are aware that there is a lot of expectation on this issue and hence the delay is causing concern and frustration amongst the employees and officers at large. Hence, we request you to expedite the issue with the concerned stake holders and higher authorities.

2. Improvement in Pension/Updation : The issue of updation and improvement in pension are also important residual issues and finding an amicable solution to these issues brooks no further delay. There is a need to hold another round of meeting between IBA and Unions to take the issue forward.

3. Restoration of Old Pension Scheme: Regarding restoration of Old Pension Scheme i.e. DA-linked Pension Scheme for all the employees and officers who joined the Banks on or after 1-4-2010, it was agreed by the IBA during the conciliation meeting held before Dy. CLC, Mumbai in January, 2023 that the same would be taken up for negotiations during the discussion on the fresh Charter of Demands for the 12th Bipartite wage revision. But neither any discussion with our Unions has taken place so far, nor the discussions on the 12th BP Charter of

Demands has commenced to enable us to take up this important issue for discussions. Hence IBA should discuss this issue in the next round of meeting.

4. Commencement of negotiations on Charter of Demands for wage revision: Even though the last wage revision Settlement has ended in October, 2022 and fresh Charter of Demands have been submitted by the Unions, so far negotiations have not yet started on these demands.

You are aware that this was one of the important issues in our Strike Notice and in the conciliation meeting IBA agreed to initiate the process and also solicit mandates from the Banks. So far, we have not heard anything from the IBA in this regard and more than six months have elapsed since the expiry of the last Settlement.

On 20-01-2023, vide their communication to all the Banks and IBA, the DFS/ Government had advised that they may initiate the process of negotiations for the next wage revision due from 1-11-2022.

This unwarranted delay in commencing the negotiations on our charter of demands is being viewed seriously by us. We hope that IBA will not delay the matter any further and commence the negotiations forthwith.

It is to bring it to your kind notice that the delay is causing anxiety and creating restlessness amongst the employees and officers at large. Hence, we urge upon the IBA to expedite the process of fixing the date for the formal commencement of negotiations on the Charter of Demands pending receipt of mandate from all the Banks. ■

EXCELLENT PERFORMANCE BY THE STATE BANK OF INDIA

Our beloved Bank "SBI" has always played a pivotal role in shaping India's economic landscape and driving its growth. With its rich legacy of service to the nation, SBI stands as a formidable pillar in India's financial panorama and its enduring commitment to fostering economic development and inclusive growth positions it strongly for future success.

In the financial year 2022-23, our Bank has accomplished several significant milestones, which

further solidify our position as a leader in the banking industry:

✱ **Balance sheet size crossed Rs 50 trillion:** This remarkable feat demonstrates SBI's robust financial position, enabling it to effectively support and fuel India's ongoing economic progress.

✱ **Recorded highest-ever net profit of Rs. 50,232 crores:** With an impressive year-on-year increase of 58.58%, SBI's exceptional financial

LET CUSTOMER SERVICE BE OUR MOTTO

performance showcases its strong management and profitability, ensuring stability and sustainability.

★ **The cumulative number of YONO registered users crossed 6 Crore:** SBI's cutting-edge digital banking platform, YONO, continues to gain immense popularity, as evidenced by the substantial increase in registered users. This milestone underscores SBI's commitment to providing convenient and accessible banking services to a growing customer base.

★ **REHBU portfolio crossed Rs 6 trillion:** SBI's unwavering dedication to extending financial services to underserved segments of society is exemplified by the Rural Housing and Economically Weaker Sections (EWS) Business Unit's remarkable achievement. Surpassing Rs 6 trillion in the REHBU portfolio signifies SBI's meaningful impact on empowering individuals and communities.

★ **PBBU Loan portfolio crossed Rs 5 trillion:** SBI's Personal Banking Business Unit's loan portfolio crossing the Rs 5 trillion mark highlights its ability to meet the diverse needs of retail customers. This accomplishment underscores SBI's commitment to providing comprehensive financial solutions and fostering individual prosperity.

★ **Market share of Home Loans 33.3%:** SBI's leading market share in home loans further cements its position as a trusted provider of housing finance in India. This achievement reflects the confidence customers place in SBI's services and its dedication to making homeownership accessible for millions.

★ **Net NPA ratio dipped to below 1% showing an improvement in asset quality:** SBI's successful management of its non-performing assets (NPA) is evidenced by the net NPA ratio dipping below 1%. This positive development underscores SBI's prudent approach to risk management and highlights its commitment to maintaining healthy asset quality.

★ **Increase in digital penetration to 84%:** SBI's commitment to digital transformation is

evident from the substantial increase in digital penetration. By embracing technology, SBI has significantly enhanced the convenience and efficiency of its banking services, empowering customers with seamless access to a wide range of financial solutions.

★ **Xpress credit portfolio crossed Rs 3 trillion:** SBI's Xpress credit product, designed to provide quick and hassle-free loans, has gained significant traction among customers. The portfolio crossing Rs 3 trillion reflects the widespread adoption and popularity of this innovative offering, showcasing SBI's responsiveness to evolving customer needs.

★ **Gold Loan portfolio crossed Rs 1 trillion:** Recognizing the importance of gold loans in India, SBI's achievement of a gold loan portfolio exceeding Rs 1 trillion signifies its commitment to serving customers' diverse financial requirements. This milestone highlights SBI's role as a reliable partner in fulfilling the aspirations of individuals and businesses.

★ **ROA for Q3FY23 > 1%:** SBI's return on assets (ROA) exceeding 1% signifies its profitability and effective utilization of resources. This achievement affirms SBI's ability to generate sustainable returns for its shareholders while maintaining a strong financial position.

These accomplishments represent just a fraction of the milestones SBI achieved during the financial year 2022-23. The unwavering commitment and dedication of SBI's vast workforce, consisting of over a quarter million SBians, have been instrumental in driving these achievements. Their relentless efforts deserve sincere appreciation, serving as a reminder to continue serving the nation with unwavering ethics and diligence. As a feel-good factor, a PLI of 10 days was credited by the Bank to the accounts of employees the same day after the declaration of results. As we look ahead, we can be confident that SBI will continue to make significant strides, empowering individuals, businesses, and the nation as a whole.

AISBOF congratulates and salutes each and every member of the SBI Family.■

BE TRUTHFUL, BE FEARLESS

IMPROVEMENTS AT BANK LEVEL IMPACTING ENTITLEMENTS, BENEFITS AND FACILITIES

Last year, we witnessed significant enhancements in our entitlements for furniture & fixtures. The suggestions of the Federation for modifications in the IHL Scheme for staff have been accepted leading to a complete review. The scheme has undergone substantial enhancements, including an increase in the loan limit and a reduction in the interest rate for all existing and new loans starting from April 1st, 2023. Additionally, the revised scheme now allows for the inclusion of costs related to furnishing, interiors, modular kitchens, and more. The eligibility criteria have also been adjusted to consider only the outstanding principal amount in IHL accounts.

In another significant achievement, the Bank has introduced a new LTC/HTC Scheme, effective from April 1st, 2023 recognising the concerns raised by the Federation at various platforms in the last two years. This comprehensive scheme not only covers travel expenses but also offers a declaration-based option for Travel Fare Allowance. The foundation for this scheme was laid by Com D T Franco and Com Y Sudarshan, by

initiating written communication with the then-chairman back in the year 2016.

The Bank has approved the Sports Compendium for use as a reference in sports-related matters. It will pave the way for the recruitments of sports persons representing at national and international levels in their respective fields. The guidelines have been revised after the year 2003 and have been thoughtfully crafted to promote and support sports activities within our Bank.

To enhance the convenience and streamline the booking process for Holiday Homes, an online facility to book through HRMS has been rolled out. This initiative aims to ensure hassle-free bookings and better utilization of the facility. Additionally, the periodicity of bookings has been rationalized, and penalties are now imposed for no-shows by employees. These measures are in place to optimize the utilization of the Holiday Homes, providing equitable access to all members.■

CREATING A SYNERGISTIC WORK ENVIRONMENT IN PUBLIC SECTOR BANKS

In order to effectively bridge the gap between the vision of the organisation and the work environment of employees in Public Sector Banks (PSBs), it is imperative to establish a comprehensive strategy. The key elements of such a strategy that can facilitate a harmonious balance have been detailed below:

✱ **Transparent Communication:** Open and transparent two-way communication channels must be established to align the government's goals, policies, and expectations with PSB employees. Regular communication will foster a shared understanding and a sense of purpose among the workforce and keep them informed about organisation goals, strategies, and updates.

✱ **Empowering Employee Engagement:** Actively involving employees is vital to foster a positive working environment. Their valuable feedback and ideas should be sought and integrated into the decision-making process. This can be accomplished

through initiatives like regular employee surveys, open forums, and platforms for innovative suggestions, cultivating a sense of empowerment and motivation among employees. Provide guidelines and boundaries but allow them to make decisions and take ownership of their work.

✱ **Focus on Training and Skill Development:** Investing in training and skill development programs is critical for PSB employees. Continuous learning opportunities should be provided to enhance their knowledge and capabilities, enabling them to adapt to evolving technologies, market dynamics, and customer expectations. Training programs may cover areas such as digital banking, customer service, risk management, and leadership skills.

✱ **Recognise and Appreciate Achievements:** Recognizing contributions is crucial for maintaining a positive work environment. Management should

establish a formal recognition program that highlights outstanding performance, teamwork and innovative ideas to inspire employees to excel in their roles. Recognition programs and promotions can be utilized to acknowledge and appreciate outstanding contributions, thereby boosting employee morale and productivity.

✱ **Promoting Work-Life Balance:** The employees of Public Sector Banks especially officers are often called to work on Sundays & Holidays. They are also working long hours sacrificing personal time on a regular basis and this constant pressure and routine have taken a toll on their well-being, leading to burnout, stress, and a decline in both physical and mental health. Striving to ensure a healthy work-life balance is paramount for employee well-being and job satisfaction. PSBs should actively encourage employees to take breaks and provide support for work-life integration. By valuing work-life balance, employees will experience reduced stress, less breakout increased job satisfaction, and improved overall performance.

✱ **Collaborative Decision-Making:** Engaging employees in the decision-making process creates a sense of ownership and commitment. PSBs should establish mechanisms for employee participation, such as cross-functional teams, task forces, and

employee representation in decision-making committees. This enables employees to contribute their unique perspectives, insights, and expertise, thereby shaping the organization's strategies and policies.

✱ **Cultivating Continuous Feedback and Improvement:** Establishing a culture of continuous feedback and improvement is essential. Regular performance evaluations, constructive feedback sessions, and mentoring programs should be implemented to support employee growth and development. This creates an environment of trust, open communication, and mutual learning.

✱ **Prioritizing Employee Well-being:** Prioritizing employee well-being is paramount to fostering a positive work environment. PSBs can implement employee assistance programs, stress management workshops, and health and wellness initiatives. Demonstrating the organization's commitment to the holistic well-being of its employees will lead to enhanced job satisfaction and overall productivity.

By implementing these strategies, PSBs can effectively strike a balance between the organisations' vision and the work environment of employees. This will result in a motivated and empowered workforce that is aligned with the organization's goals, delivering high-quality services to customers.■

₹ 2K: PSBS SEE QUEUES AS PVT BANKS TURN CAUTIOUS

Some Private Lenders Insist On Request Slip Proof Of Identity To Exchange Notes.

Mayur.Shetty@timesgroup.com

Public sector banks (PSBs) are bearing the brunt of the ₹ 2,000 note exchange traffic, with many private bank branches being extra cautious in accepting notes for exchange.

Most private sector branches insist on a request slip and proof of identity to exchange currency notes. Some branches have also printed deposit slips requiring note exchange seekers to fill in the serial numbers of the ₹ 2,000 notes.

Meanwhile, officials at PSB branches that were not

asking for documents told TOI that customers of private banks from nearby branches were queuing up at their branches to exchange notes. "We have been told not to ask for proof of identity, and many are coming in more than once a day to exchange," said an SBI branch manager. Another public sector bank official said that many businesses were sending employees to queue up for exchange.

SBI, the country's largest bank, had on May 20

CUSTOMERS VENT ON SOCIAL MEDIA

Some banks in Jhansi are making their customers fill up forms for depositing and exchanging of ₹ 2,000 notes. While no such guideline has come from the RBI. Banks are confusing customers by filling up forms. Due to this, a situation of fear is being created among the people-@akshkaushal199

Each and every note's serial no. is to be filled in. It took 2 hours to exchange ₹ 20,000. Real inconvenience.....

@yugeshp



Bank of Baroda branch of cash for 2 days. Canara Bank branch not supporting non-accountholders. HDFC Bank & Axis Bank want ID proof... is this how RBI, govt is helping people with the move to exchange note?

@Dhirend81682207

LET US BUILD A STRONG AND SELF RELIANT INDIA

asked branches to obtain a deposit slip and identity proof from those coming to exchange their notes but had reversed its directive a day later.

There were complaints from customers that branches of private banks were refusing to entertain non-customers for the exchange of notes. In one case, a private bank refused to accept ₹ 2,000 currency notes for deposit into the bank account without the accountholder being present.

Branch managers are under pressure as there are no clear-cut instructions in writing. Some managers said they had received instructions from seniors to convince customers to deposit currency notes instead of exchanging them.

While the first day of exchange did not see many people queuing up, the lines are growing longer at branches that freely exchange notes.

Some enterprises use note withdrawal as an opportunity to increase their business. Canara Bank has said it has waived cash remittance charges for those making fixed deposits using ₹ 2,000 denomination notes. The bank is marketing its 444-day deposit scheme, which offers 8%.

Unity Small Finance Bank is asking holders of the ₹ 2,000 notes to visit their branch and use them to open a fixed deposit and earn up to 9.5% interest. However, some businesses put out notices that they were not accepting ₹ 2,000 notes. ■

HAVE REALISTIC EXPECTATIONS FROM YOUR INVESTMENT

Kirti, a selector, wants to make money by backing a batsman based on his long-term performance. After scrutinising the statistics of several batsmen over a hundred matches, he decides on one. However, he gets upset when his chosen player doesn't perform well in the next match, and in fact the entire series. He overlooks the fact that the other batsmen have fared equally poorly.

Despite the chosen batsman still having the best average performance over a hundred matches, Kirti's disappointment doesn't abate. He unrealistically expects the batsman he has backed to perform well every time, forgetting his initial strategy of backing a batsman based on his long-term performance.

Cut to investments. I narrated this imaginary story to our client Radha. She was going through the status report on her investments started six months ago. She expressed unhappiness at their rather low returns and enquired whether they needed to be replaced. I told her the performance statistics of her investments over six months were akin to data shown on the television screen while a match is going on-useful to know which way the match is going, but not useful for selecting a batsman.

An investment's six-month performance is akin to data shown on TV during a match-useful to know which way the match is going, not select a batsman

Similarly, an investment's performance over six months is not a good basis for deciding to review the investments.

"Should we never review the performance of an investment then? Radha asked.

"Of course, we should. But it needs to be based on its long-term performance data compared to peers. We had shown you data for the past 20 quarters for all the investments based on which this one was chosen. We have updated that data to reflect the quarters 21 and 22. The cumulative data from quarter 3 to quarter 22 continues to show the investment as among the top performers." I answered.

It was tough for Radha to understand why the investment status report was not a correct basis for reviewing her investments. But she had to agree in the face of the inexorable logic presented to her.

Radha said she now understood the difference between an investment status report and an investment review report. But what was the plan review document we were giving so much importance to? Again using cricketing analogy, I explained: selecting a batsman based on his long-term performance (akin to investment review) is different from deciding the composition of the

team-how many batsmen, all-rounders, bowlers, and the wicket-keeper.

In a proper plan, it is important to decide on the proportion of investments in equity, fixed income, international equity, gold, and real estate based on goals, availability of resources and the investor's risk-taking ability.

Choosing the specific instruments or schemes within each of these investment types based on a set of long-term criteria comes next. A good plan will also consider the physical and emotional health needs of the individual (just as in cricket one looks at the physical and mental well-being of the players). The plan review looks at all these parameters to take a call on whether any one of

them needs an adjustment. Thus, in descending order of importance and impact on the success of any plan would stand the initial plan and review, initial investment selection and review, and ongoing investment status reports.

My favourite maths teacher in school had once remarked, with a mischievous smile. "I want each one of you to score above average marks." This, of course, is a mathematical impossibility. Truth be told, it 's important for investors to have realistic expectations from their investments, or else they are setting themselves up for disappointment.■

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BANKS, CBI SPAR OVER NOD FOR ACTION ON FRAUD LOANS

CBI Says Banks Shield Staff/ Every Fraud Not Connivance : Lenders

Are all frauds criminal in nature? Should bank lending be completely rule-bound and objective? Bankers and CBI officials have different takes.

In a meeting of bankers, CBI and Central Vigilance Commission (CVC), the probe agency again raised its long-standing complaint: Lenders are not giving permission to act in cases of fraudulent loans.

Bankers say that CBI has the power to call for information and don't require permission to investigate. The agency, however, is of the view that banks are protecting their employees and preventing the recovery of public money lost due to fraud.

The bureau is seeking cooperation from banks in establishing connivance by bank officials. However, bankers claim that every fraud is not an act of connivance. "There is a difference between how lenders and the bureau see frauds. In the case of banks, if a borrower uses

loan amount for another purpose, the account can be classified as a fraud," said a banker.

A recent law requires authorities to establish that a bank employee has made wrongful gain — a lender suffering a loss is not enough. Section 17A

of the Prevention of Corruption Act, which came into force in July 2018, provides that there can only be an inquiry or investigation with prior approval of the 'appropriate authority'.

"In most cases, when CBI comes in for investigation, the matter is a couple of years old,

and they come with the wisdom of hindsight because of which even commercial decisions taken by banks appear questionable," said a banker.

LENDING INVOLVES DISCRETION'

- Bankers say that if a borrower uses loan amount for another purpose, the account can be classified as fraud
- However, bankers claim that every fraud is not an act of connivance as CBI claims
- They say that CBI officials approach with the wisdom of hindsight, and banks' decisions appear questionable to them

- Rules require authorities to establish that a bank employee made a wrongful gain-a lender suffering a loss is not enough
- Bankers say that CBI also sees connivance wherever rules are not followed
- Incidentally, while banks can hold back permission to prosecute employees, no such permission is needed after the employee has retired

NEVER BEND BEFORE THE INSOLENT MIGHT

For instance, if a steel manufacturer sets up a captive power plant, it can be a part of the business. However, if the power plant is carved out into a separate company, it can amount to diversion.

The other area of difference is CBI's seeing connivance wherever rules are not followed. "The truth is that discretion is involved in lending and to limit the powers at the branch level, there is a stringent checklist. As a result, most loans are sanctioned at a higher level," said a banker.

Bankers say that they conduct an accountability exercise after a loan goes bad. If the bank finds an employee erred in his responsibility, it takes

action against them. Also, if there is suspicion of connivance, a complaint is filed.

Last year, the RBI revised the monetary threshold for state-owned banks to report fraud to CBI. Frauds from ₹ 3 crore to ₹ 25 crore must be reported to CBI's anti-corruption bureau, provided staff connivance is established. Frauds from ₹ 25 crore to ₹ 50 crore must be reported to CBI's banking security and fraud cell.

Incidentally, while lenders can hold back permission to prosecute employees, no such permission is needed after the employee has retired.■

ECONOMY AND OUTLOOK FOR FY 2024

GLOBAL ECONOMY

✪ **Global Growth:** World output growth is projected to decelerate to 2.9% in 2023, marking one of the lowest growth rates in recent decades. Amid economic, financial, and political shocks, global macro financial risks have increased, and the outlook remains uncertain.

✪ **Credit demand:** Credit demand is also likely to remain subdued in response to the weakening economic outlook, depressed treasury income, likelihood of increasing delinquencies and dents to profitability if the prevailing macros are exacerbated beyond the threshold

✪ **Banking outlook:** The failure of Silicon Valley Bank (SVB) and signature Bank, followed by fall of Swiss banking giant Suisse and questions on soundness of European SIBs (Systemically Important Banks) has raised concerns on the banking system around the world.

✪ **Asset Quality:** Asset quality has continued to improve across AEs. In the Euro area, government and institution-specific interventions in Greece led to significant improvement in its banks' asset quality. Among the EMEs, it has been improving since 2019.

Domestic Economy

Growth Outlook: India's real GDP growth expected at 7.0% in FY 23 and 6.4% in FY 24. The reasons for better-than-expected growth in FY 24 can be attributed to various factors including. (a) the stronger prospects for agricultural and allied activities which are likely to boost rural demand, (b) the rebound in contact intensive sectors and discretionary spending is expected to support urban consumption, (c) Strong credit growth, resilient financial markets, and the government's continued thrust on capital spending and infrastructure creating a congenial environment for investment, and (d) growth-oriented budget announcements. Besides the promises kept on consolidation and capital expenditure, the tax changes proposed in the Budget will put at least ₹ 35,000 crore in the hands of households.

Inflation Outlook: CPI inflation, though moderated mildly but remains still above the 6% mark. The outlook for inflation is mixed. While prospects for the Rabi crop have improved, especially for wheat and oilseeds, risks from adverse weather events remain. The global commodity price outlook, including crude oil, is subject to uncertainties on demand prospects as well as from risks of supply disruptions due to geopolitical tensions. Commodity prices are expected to face upward pressures with the easing of COVID related

mobility restrictions in some parts of the world.

Banking Outlook: With economic activity gaining momentum, growth in bank credit for working capital has also caught up in recent months reflecting an optimistic outlook for demand conditions. We expect credit may grow at 14-15% (YoY) in FY 24 after 15-16% (YoY) in FY 23 and deposits may grow at 10-11% in FY 23 and FY24.

Asset Quality Outlook: The GNPA ration of ASCBs continued to improve across all sectors and stood at a seven-year low of 5% in September 2022. The net nonperforming assets (NNPA) ratio stood at a ten-year low of 1.3%. Meanwhile, the write offs to GNPA ratio increased during H1FY 23 on an annualized basis, after declining for two consecutive years.

Interest rate Outlook: As inflation concerns prevail, there is a higher possibility of the RBI to increase the policy repo rates in its upcoming policy review in April 2023.■

| Key Macroeconomic Indicators | | | |
|------------------------------|------------------|--------------------------|-----------|
| Actual & Projections | | | |
| Indicators | FY22 (Actual) | FY 23 (Latest Est) | FY 24 (P) |
| GDP(YoY %) | 9.1 | 7.0 | 6.4 |
| CPI Inflation (Average %) | 5.5 | 6.75 | 5.3 |
| M3 Growth (%) | 8.7 | 9.5 | 12.0 |
| ASCB Deposits Growth (%) | 8.9 | 10.2 | 10.0-11.0 |
| ASCB Advances Growth (%) | 9.6 | 15.5 | 14.0-15.0 |
| Export Growth Rate (%) | 44.5 | 7.6 | 5.0 |
| Import Growth Rate (%) | 55.4 | 18.9 | 7.8 |
| CAD (% GDP) | -1.2 | -3.3 | -2.4 |
| Fiscal Deficit (%GDP) | 6.8 | 6.5 | 5.9 |

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