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WE DON'T OWN .... BUT WE OWN – 4

Friends,

In my letter dated 14.04.2017, I have started discussing in detail about the various counter conditions to be putforth to our controllers in the We don't own.. But we own series and also how the regulators have started attacking the PSBs and targeting the PSBs as non performers and projecting the poor performance of PSBs were entirely due to the poor management of the Banks and they have also come out with various actions curbing the benefits to the officers / employees, including forcing the associations to sign MOU and get undertaing from them for improvement of business and they have also suggested that they will infuse capital to those banks wich improves their business and also based on profitability.

In this letter let me come out with clarification in respect of some more points,

1. The current prudential norms fixed by RBI on Asset Classification is as under :

Standard Asset	Secured Loans	Unsecured Loans
Standard Asset	4%	4%
Sub Standard Assets - 90 days to 6 Months - 6 Months to 1 Year	 15% 25%	 25% 40%
Doubtful Assets (1 year to 2 years)	40%	100%
Doubtful Assets(from2nd year)	100%	100%

The revised prudential norms stipulated by RBI are being fixed to suit the demands and requirements of western countries and which is not suitale for the varied industrial, climatic and political conditions of India. Generally, Indians repay their loans properly and they are are very honest. The change of norms for asset classification to 90 days has led to increase in NPA. This also deprives the borrowers of further time, which ultimately leads to slipping of loans to NPA. The provisioning norms is also very rigid including provisioning for Standard Assets and the revised provision to be provided has pushed the Banks to plead to the Governmet for infusion of capital. Thus the current provision of 90 days norms should be resorted to 180 as it was prevailing earlier.

2. As per the present system of taxation, Banks have to pay Income Tax from their Operating profit. This is affecting the profitability of the Banks. Though the Banks are posting operating profit, after adjusting their expenses and other provisions and reserves, some of the Banks are incurring loss.

   The Banks are forced to pay a huge amount towards tax out of their operating profit instead of taking into account the Net Profit / Net Loss they incur. The real beneficiary of the same is the main stakeholder, the Government of India. When the government is insisting that the Banks should ensure profitability and the profitability being the main criteria for infusion of capital by the controller, this taxation law is affecting the profitability of the Banks and also it is forcing extra burden on the Banks. Hence, the the present system of taxation on the Operating Profit should be changed and the Income Tax should be levied on the Net Profit.

To be continued ………

MANIMARAN G V
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