AIRRBOF News Letter
April, 2013
Sky is not the limit, we cover it...
The Voice of All India RRB Officers' Federation
Vol - XX SILIGURI No. 04

EDITORIAL

CENTRAL COMMITTEE OF AIRRBOF HELD ITS 54TH MEETING AT UDHAGAMANDALAM (OOTY) ON 17TH MARCH, 2013

The 54th Meeting of the Central Committee of our Federation took place at the Hotel Preethi Tower, Udhagamandalam (Ooty) on 17th March, 2013. After the initial formalities the General Secretary's report was placed and deliberated. The report recounted in detail all the foregoing developments in the intervening period of the last meeting and the road map ahead. The report and the deliberation threw up following important areas:

1. SLP(C) 39288/2012 filed by Union of India was argued on 18th February, 2013 before the Court No. 2 of the Hon'ble Supreme Court. The respondents present in the Hon'ble Court included the law firm engaged by AIRRBOF led by a battery of lawyers. No legal counsel of any other Trade Union was present in the Court. Only AIRRBOF counsel was present along with counsel of the original petitioners before Rajasthan High Court.

2. The fact that no other apex trade union in the RRBs was represented before the Hon'ble Supreme Court was noted. It is a shame that other apex trade unions showed scant interest while feeding the employees & officers of RRBs with half truth and lie in regard to the developments in the Pension Case.
3. The regular hearing of the SLP(C) 39288/2012 is expected to start after the period of four weeks for reply by the respondent and the four weeks for a rejoinder expire by 18th April, 2013
4. AIRRBOF entered the legal battle before the Hon'ble Supreme Court in the Pension case through a Transfer Petition and also a intervention petition. It is quite natural that AIRRBOF shall be allowed as an interventionist in the SLP(C) 39288/2012.
5. All the affiliates have to ensure that Special Levy collection @Rs.1000/- must be completed and the same be sent to AIRRBOF Account with Bank of India, Lucknow latest by 31st March, 2013.
6. In view of the fact that the Pension parity in RRBs being judged by Hon'ble Supreme Court there is no point to loose our focus to join any organizational programe. The call for strike etc. by certain Apex Workmen Union in RRBs was viewed only a show aimed for gallery with a

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motive to divert the attention from the failure of such workmen union to pin the Govt. of India by filling contempt petition before the Hon'ble High Court of Karnataka when it was demanded.

7. The issue of extension of others allowances & benefits to the officers was taken as a priority for settlement as wide disparity exists in allowance & benefits from RRB & RRB. Organizational action is being drawn up to highlight the issues.
8. The progress on salary revision talks after submission of Charter of Demands being insignificant the house resolved to participate whole hog in the ensuing action programe of UFBU/AIBOC
9. State Units need to be reorganized with holding of General Meeting at all centres. Similarly Retires' and Pensioners' Association need to be set up at bank Level and State Level. Office bearers should monitor the matter and report developments to the Central Office.
10. All the Affiliates should reproduce the circulars issued by the Federation for information of the Membership.
11. AIRRBOF News Letter being put to website and emailed to Affiliates/office bearers and CC members. The same should be brought to the notice of Membership.

12. All affiliates/ office bearers / CC members should monitor payment of subscription dues to the Federation latest by 15th April, 2013.
13. Office bearers would meet immediately after hearing starts in the Supreme Court to monitor and decide future course of action.
14. The issues thrown out by the process of amalgamation need to be brought to the notice of the Central Office to be taken up with Govt. of India / NABARD.
15. The issue of relaxing the length of years of service for eligibility for promotion need to be pursued so that the vacant posts in higher incumbency can be filled up early.
16. The difference in eligibility criteria for promotion from OJM-1 to MMG-II between direct recruits and promotes shall be taken up with due sincerity

ENRICH YOUR KNOWLEDGE

Inflation: A situation of a steady and sustained rise in general prices is usually known as inflation. Inflation is a state in which the value of money is falling i.e. prices are rising.

Cost-push Inflation: It arises as a result of strong consumer demand. When many individuals are trying to purchase the same good, the price will inevitably increase. When this happens across the entire economy for all goods, it is known as demand pull inflation.

Deflation: Deflation is the reverse case of inflation. Deflation is that state of falling prices which occurs at that time when the output of goods and services increases more rapidly than the volume of money in the economy. In the deflation the general price level falls and the value of money rises.

Disinflation: A fall in the rate of inflation. This means a slower increase in prices but not a fall in prices.

Recession: A period of slow or negative economic growth, usually accompanied by rising unemployment.

Stagnation: A prolonged recession, but not as severe as a depression.

Disinflation: A fall in the rate of inflation. This means a slower increase in prices but not a fall in prices.

Depression: A prolonged recession in economic activity. The textbook definition of a recession is two consecutive quarters of declining of a recession is two consecutive quarters of declining output. A depression in an even deeper and more prolonged slump.

Terms used in Budget

Consolidated Fund: This fund is made of the revenues that are received by Government plus the loans that is raised by this revenue as well as the receipt from recoveries of loans granted by it.

Appropriation Bill: It is a bill that authorizes payment and appropriation of expenses from the Consolidated Fund. This bill is introduced only after the general discussion on budget proposals and the completion of voting on grants.

Budget / Annual Financial Statement: According to section – 112 of the Indian Constitution, the government presents a statement of estimated receipts, expenditure and a detailed plan that is presented for every financial that is for 1st of April to 31st March of each year. There are usually three divisions of budget and for each of them a statement of expenditure & receipt are presented. These three divisions include – Contingency Fund, Consolidated Fund and Public Account.

Plan Expenditure: This expenditure is a combination of expenses like capital expenditure, revenue expenditure on interest payments, postal deficit, pensions, economic services, defense expenditure and subsidies.

Subsidies: Monetary aid extended by Government to a group of individuals or individual in order to enhance their business skills or to provide products at cheaper rate.

Twin Deficits: Deficits that include both the government budget deficit and trade deficit.

Value-Added Tax: That is imposed on a company or firm in respect of the percentage of its value added. This tax is implied to prevent the increasing effects of taxes through the different production processes. The sum

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determined by finding the difference between value of inputs and outputs is the basis of the value –added tax.

Ad-Valorem Duties: Duties that are established as a certain percentage of the price of the product.

Custom Duties: Levies that are incurred from the goods exported from or imported to the country.

Excise Duties: Duty levied on goods manufactured within the country.

Duties Taxes: Taxes that are implied directly on the individuals. Corporate tax and Income tax are direct taxes.

Indirect Taxes: Tax levied on manufacture, consumption, etc which are collected by the provider of service or manufacturer of goods. Examples are Excise Duty, Custom Duty, VAT, Service Tax.

Progressive Tax: A tax where the wealthy have to give more income tax as compared to the poor.

Gross Domestic Product (GDP): It is the money value of all final goods and services produced in the domestic territory of country in a year.

Fiscal Measures: Measures to correct excess / deficient demand through budget proposals of government are called fiscal measures. These include tax changes, increase / reduction in government expenditure etc.

Fiscal Policy: Those part of government economic policy which deals with taxation, expenditure, borrowing, and the management of public debt in the economy.

Real exchange rate: An exchange rate that has been adjusted to take account of any difference in the rate of inflation in the two countries whose currency is being exchanged.

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 08:2013 *1st March, 2013*

BUDGET – 2013 - 2014

Shri P. Chidambaram presented his budget proposals for the year 2013-14 before the Parliament on 28th February, 2013. He last presented the budget in 2008. The Finance Minister tried carefully to balance his proposals to contain Current Account Deficit by initiating Foreign Direct Investment (FDI), FII and External Commercial Borrowing (ECB). There are no proposals for relief in the Income Tax to salaried class except a proposal for Tax credit of Rs. 2000.00 under section 87(A) for tax payers having income up to 5 Lakhs and raising of interest rebate up to Rs. 2,50,000/- from Rs. 1,50,000.00 for Home Loan for the first home. The Budget proposed to establish a Bank under Public Sector with a capital of Rs.

1000/- cr. predominantly for Women and having women employees. This seems to be a gimmick to lure women voters.

Though Finance Minister talked about agriculture and rural banking no relief have been provided. There is announcement for more Capital for Public Sector Banks and opening of at least one ATM per Branch.

Circular # 09:2013 *19th March, 2013*

VISIT TO NABARD HO & SPONSOR BANK HO ON 14TH & 15TH MARCH, 2013 IN MUMBAI

President and General Secretary of AIRRBOF visited Mumbai on 14th & 15th March, 2013 and held a series of Meetings with NABARD, some major sponsor Banks and visited IT centres for RRBs sponsored by Central Bank of India and Bank of India.

MEETING AT CENTRAL BANK OF INDIA:

Meeting took place with Shri R. B. Gupta, General Manager, Central Bank of India at Central Office on 14th March, 2013 at 10:30am. Different issues concerning officers of RRBs in regard to benefits and allowances were discussed. We also raised the issue of commensurate increase in allowances & benefits payable to officers on deputation to IT Centres. General Manager shared our concern and expressed his full support for early upward revision of allowances & benefits. He also assured to resolve all the IT related problems:

MEETING AT STATE BANK OF INDIA:

Meeting on the issues connecting RRBs were scheduled with Shri Ashis Kumar Roy, Chief General Manager, Agri. Business. However, due to his sudden preoccupation meeting took place with Shri Y. Vijay Kumar, Dy. General Manager, RRB on 14th March, 2013 at 1:30pm. We expressed our strong indignation over the sharp difference in benefits & allowances payable to officers in RRBs sponsored by State Bank of India. We pointed out that these matters was earlier also taken up with no avail. Shri Vijay Kumar assured us that in consultation with CGM the matter would be resolved immediately.

MEETING AT NABARD HO

President and General Secretary held detailed meeting at NABARD, HO, on 14th March, 2013. Discussion took place with Shri U. N. Srivastava, Chief

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General Manger (Legal) on the issues concerning SLP(C) 39288/2012 filed by Unions of India before Hon'ble Supreme Court of India. The unilateral action of Govt. of India to move to the Apex Court to deny Pension to officers and employees of RRBs was not taken kindly by NABARD. Shri Srivastava also came out with a detailed analysis of Pension Scheme and how it is viable. Later on, Meeting took place with General Manager, Dy. General Manager and Asstt. General Manager of IDD on different routine matters concerning RRBs. The officials of NABARD assured that they shall extend full support to resolve our issues.

MEETING IN BANK OF INDIA:

President and General Secretary held meeting with Executives of Bank of India on 15th March, 2013 morning. We held meeting with Shri Arjun Guggal, General Manager (FI) and Shri N. C. Khulbe, General Manager(Priority Sector) and Shri Ashoke V. Gaikward, Dy. General Manager(IT). Lot of issues were discussed with the Executives on the issues concerning other allowances. IT related problems and these arising out of amalgamation process of RRBs. Executives expressed their concerns to resolve the issues. IT related issues were discussed threadbare with DGM (IT) and some issues got resolved immediately. GM(FI) and GM(PS) assured that the vexed issue of upward revision of other allowances shall be reexamined to extend further benefits to officer & employees of RRBs.

BANKING NEWS

LICENSING OF NEW BANKS IN THE PRIVATE SECTOR

Preamble: Over the last two decades, the Reserve Bank of India (RBI) licensed twelve banks in the private sector. This happened in two phases. Ten banks were licensed on the basis of guidelines issued in January, 1993. The guidelines were revised in January, 2001 and two more licences were issued. The RBI has now issued further guidelines for establishing new private sector banks gist of which is given below:

A) Eligible Promoters: Entities / group in the private sector, entities in public sector and Non-Banking Financial Companies (NBFCs) shall be eligible to set up a bank through a wholly-owned Non-Operative Financial Holding Company (NOFHC).

B) Fit and Proper Criteria: Entities / groups should have a past record of sound credentials and integrity, be financially sound with a successful track record of 10 years. For this purpose, RBI may seek feedback from other regulators and enforcement and investigative agencies like Income Tax, CBI, Enforcement Directorate, etc.

C) Corporate Structure of the NOFHC:

a. The NOFHC shall be wholly owned by the Promoter / Promoter Group. Promoter means, the person who together with his relatives, by virtue of his ownership of voting equity shares, is in effective control of the NOFHC, and includes, wherever applicable, all entities which form part of the Promoter Group.
b. The capital structure of the wholly-owned NOFHC set up by Promoter/ Promoter Groups in Private Sector shall consist of: a) voting equity shares not exceeding 10 percent of the total voting equity shares of the NOFHC held by any individual belonging to the Promoter Group, along with his relatives and along with entities in which he and / or his relatives and along with entities in which he / and or his relatives hold not less than 50 percent of the voting equity shares and b) companies forming part of the Promoter Group whereof companies in which the public hold not less than 51 percent of the voting equity shares shall hold not less than 51 percent of the total voting equity shares of the NOFHC.
c. The NOFHC shall hold the bank as well as all the other financial services entities of the Group regulated by RBI or other financial sector regulators.
d. The general principle is that no financial services entity held by the NOFHC would be allowed to engage in any activity that a bank is permitted to undertake departmentally.
e. The NOFHC shall not be permitted to set up any new financial services entity for at least three years from the date of

commencement of business of the NOFHC. However, this would not preclude the bank from having a subsidiary or joint venture or associate, where it is legally required or specifically permitted by RBI.

f. Only those regulated financial sector entities in which a Promoter Group has significant influence or control will be held under the NOFHC.

g. Shares of the NOFHC shall not be transferred to any entity outside the Promoter Group. Any change in shareholding (by the Promoter Group) with in the NOFHC as a result of which a shareholder acquires 5 percent or more of the voting equity capital of the NOFHC shall be with the prior approval of RBI.

D) Minimum voting equity capital requirements for banks and shareholding by NOFHC.

a. The initial minimum paid-up voting equity capital for a bank shall be Rs. 5 billion.

b. The NOFHC shall hold a minimum of 40 percent of the paid-up voting equity capital of the bank which shall be locked in for a period of five years from the date of commencement of business of the bank. Voting equity capital, other than the holding by NOFHC , could be raised through public issue or private placements.

c. Shareholding by NOFHC in the bank in excess of 40 percent of the total paid-up voting equity capital shall be brought down to 40% within three years from the date of commencement of business of the bank.

d. The shareholding by NOFHC shall be brought down to 20% of the paid-up voting equity capital of the bank within a period of 10 years, and to 15 percent within 12 years from the date of commencement of business of the bank.
e. The bank shall be required to maintain a minimum capital adequacy ratio of 13 percent of its risk weighted assets (RWA) for a minimum period of 3 years after the commencement of its operations subject to any higher percentage as may be prescribed by RBI from time to time. On a consolidated basis, the NOFHC and the entities held by it shall maintain a minimum capital adequacy of 13% of its consolidated RWA for a minimum period of 3 years.
f. The bank shall get its shares listed on the stock exchanges within three years of the commencement of business by the bank.

E) Regulatory framework: Regulatory framework: The bank will be governed by the provisions for the relevant Acts, relevant Statues and the Directives, Prudential regulations and other Guidelines / Instructions issued by RBI and other regulators. The NOFHC shall be registered as a non-banking finance company (NBFC) with the RBI and will be governed by a separate set of directions issued by RBI. The financial entities held by the NOFHC will be governed by the applicable Statutes and regulations prescribed by the respective financial sector regulators.

F) Foreign shareholding in the bank: As per current FDI policy, foreign shareholding in private sector banks is allowed up to a ceiling of

74% of the paid –up voting equity capital. However, the aggregate non-resident shareholding from FDI, NRIs and FIIs in the new private sector banks shall not exceed 49% of the paid-up voting equity capital for the first 5 years from the date of licensing of the bank. No non-resident shareholder, directly or indirectly, individually or in groups, or through subsidiary, associate or joint venture will be permitted to hold 5% or more of the paid-up voting equity capital of the bank for a period of 5 years from the date of commencement of business of the bank. After the expiry of 5 years from the date of commencement of business of the bank, the aggregate foreign shareholding would be as per the extant FDI policy.

G) Corporate governance of NOFHC

a. No NOFHC shall have as Director in its Board of Directors, any person who is a Director in any other NOFHC or a bank other than a banking company under it.
b. No NOFHC shall be managed by any person – a) who is a Director in any other company not being a subsidiary of the NOFHC or a company registered under Section 25 of the Companies Act, 1956 or b) who is engaged in any other business or vocation.
c. At least 50% of the Directors of NOFHC shall be totally independent of the Promoter or Promoter Group entities and their major customers and major suppliers. Major customers and major suppliers of the promoter group would mean dealings with whom constitute 10% or more of the annual purchases or sales or both

taken together. The independent Directors shall have special knowledge or practical experience in respect of one or more of the following matters, namely, a) Accountancy, b) Agriculture, rural economy and co-operation, c) Banking, d) Insurance, e) Economics, f) Finance, g) Micro, Small and Medium Enterprises (MSME), h) Law; or, i) any other matter, the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to NOFHC.

d. Ownership and management shall be separate and district in the NOFHC, the bank and entities regulated by RBI.

H) Prudential Norms for the NOFHC: The prudential norms will be applied to NOFHC both on stand- alone as well as on a consolidated basis and the norms would be on similar lines as that of the bank.

I) Exposure norms:

a. The NOFHC and the bank shall not have any exposure to the Promoter Group. The bank shall not invest in the equity / debt capital instruments of any financial entities held by the NOFHC.
b. The consolidated NOFHC's investments in the capital instruments issued by banking, financial and insurance entities outside its Group together with the unconsolidated financial and insurance entities within the Group should not exceed 10% of its consolidated capital funds.
c. Investment in equity by the bank in the entities engaged in financial and non-financial activities, outside the Promoter Group would be subject to a limit of 10% of the investee entity's paid-up share

capital or 10% of the bank's paid-up share capital and reserves, whichever is less, and the aggregate of all such investments should not exceed 20% of the bank's paid-up share capital and reserves.

J) Business Plan for the Bank

a. Applicants for new bank licenses will be required to furnish their business plans for the banks along with their applications. The business plan will have to address how the bank proposes to achieve financial inclusion.

K) Other conditions for the bank

a. The Board of the bank should have a majority of independent Directors.
b. Any acquisition of shares which will take the aggregate holding of an individual / entity / group to the equivalent of 5% or more of the paid-up voting equity capital of the bank, will require prior approval of RBI.
c. No single entity or group of related entities, other than the NOFHC, shall have shareholding or control, directly or indirectly, in excess of 10% of the paid-up voting equity capital of the bank.
d. The bank shall maintain arm's length relationship with Promoter / Promoter Group entities, and the major suppliers and major customers of these entities.
e. The bank shall comply with the priority sector lending targets and sub-targets as applicable to the existing domestic banks. For this purpose, the bank should build its priority sector lending portfolio from the commencement of its operations.

f. The bank shall open at least 25% of its branches in unbanked rural centres (population up to 9,999 as per the latest census) to avoid over concentration of their branches in metropolitan areas and cities which are already having adequate banking presence.

g. The bank should have a high powered Customer Grievances Cell to handle customer complaints.

h. Banks promoted by Groups having 40% or more assets / income from non-financial business will require RBI's prior approval for raising paid-up voting equity capital beyond Rs. 10 billion for every block of Rs. 5 billon.

L) Additional conditions for NBFCs, promoting / converting into a bank

a. Additional conditions for NBFCs promoting / converting into a bank: Existing NBFCs, if considered eligible, may be permitted to promote a new bank or convert themselves into banks. RBI will consider allowing the bank to take over and convert the existing NBFC branches into bank branches only in the Tier 2 to 6 centres. Existing branches of the NBFC in Tier 1 centres may be allowed to convert into bank branches only with the prior approval of RBI.

M) Procedure for application & RBI decisions: In terms Rule 11 of the Banking Regulation (Companies) Rules, 1949, application shall be submitted in the prescribed form (Form III) to RBI on or before July 1, 2013. Banking being a highly leveraged business, licences shall be issued on a very selective basis to those who conform to the above requirements, who have an impeccable track record and who are likely to conform to the best international and domestic standards of customer service and efficiency. At the first stage, the applications will be screened by RBI to ensure prima facie eligibility of the applicants. Thereafter, the applications will be referred to a High Level Advisory Committee will comprise eminent person with experience in banking, financial sector and other relevant areas. The constitution of the committee will be announced shortly. The Committee will submit its recommendations to the Reserve Bank. The decision to issue an in-principle approval for setting up of a bank will be taken by the Reserve Bank. The validity of the in-principle approval issued by the Reserve Bank will be one year. In order to ensure transparency, the names of the applicants will be placed on the Reserve Bank website after the last date of receipt of applications.

Source: Latest Banking & Financial Awareness, March 2013

PRESS CORNER

MICROFINANCE LOAN DISBURSALS RISE 22% IN OCTOBER-DECEMBER

Micro-finance institutions reported a healthy loan demand in the October-December period. They disbursed loans aggregating Rs 6,194 crore, up 22 per cent, against Rs 5,089 crore in the preceding quarter (July-September).

MFIs outside Andhra Pradesh accounted for 70 per cent of the total loan disbursements in the reporting quarter, according to a report by Microfinance Institutions Network (MFIN). Due to a restrictive State law, MFI activity in Andhra Pradesh continued to be at a standstill.

The report is based on data collected from 41 MFIs, which represent 85 per cent of the microfinance sector in the country (excluding self-help groups).

Non-Andhra Pradesh MFIs reported 31 per cent increase in loans at Rs 4,345 crore (Rs 3,310 crore in the preceding quarter).MFIN said Tamil Nadu topped in terms of loan disbursals, accounting for 28 per cent of the total loans disbursed in the reporting quarter, followed by Karnataka (15 per cent), Maharashtra (11 per cent), Uttar Pradesh (8 per cent) and Madhya Pradesh (7 per cent).

As on December 31, the gross loan portfolio (GLP) of MFIs outside Andhra Pradesh (AP) was Rs 10,075 crore against Rs 8,865 crore in the preceding quarter. The GLP of AP MFIs edged up to Rs 8,564 crore (Rs 8,216 crore).

The loan outstanding per client increased to Rs 8,144 from Rs 7,530.

As an employer, the industry continues to face headwinds dragged down by the performance of Andhra Pradesh-based MFIs. Overall, the 41 MFIs employed 60,634 employees across the country as on December 31. This is down from 62,182 and 78,692 employees in Q2FY13 and Q3FY12, respectively. Outside Andhra Pradesh, total number of employees increased marginally to 35,151. In Andhra Pradesh, the total employee strength fell to 25,483 in Q3FY13 from 27,496 in the preceding quarter and 44,495 in Q3FY12.

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ANDHRA PRADESH WOES

Andhra Pradesh, which constituted about 75 per cent of the country's total micro-finance lending prior to the crisis in 2010, has seen its share drop continuously since 2010.

MFIs in Andhra Pradesh disbursed Rs 1,850 crore in the third-quarter of the current fiscal, up four per cent from the preceding quarter. This translated to 30 per cent of the total loan disbursals in the October-December period.

"While MFI activity in AP continues to be at a standstill, the industry has grown in States such as West Bengal, Tamil Nadu, Kerala, Bihar and Uttar Pradesh," the report said.

Source – The Hindu Business Line February 20, 2013.

TRADE UNIONS' STRIKE HITS BANKING, TRANSPORT SERVICES

Key services, including banking and transport, were affected as the two-day general strike by 11 central trade unions and several independent federations began on Wednesday.

While States such as Kerala, Bihar and Tripura were completely shut, the response was mixed in other States. There were reports of sporadic violence and lathi-charge in some areas, leading to the death of two workers in Haryana and Noida.

Meanwhile, production is likely to be affected in the auto hub of Gurgaon, as 50 unions will stay off work on Thursday, including in Maruti, Suzuki

Motorcyle and Hero Motocorp, trade union leaders said at a press conference at the INTUC headquarters here.

"We had a meeting with representatives of different unions in the region and we have agreed to go on a one-day strike tomorrow in support of the central unions. There will not be any production tomorrow both at Maruti's Gurgaon and Manesar plants," Maruti Udyog Kamgar Union General Secretary, Kuldeep Jhangu, told a news agency.

CPI leader and AITUC General-Secretary Gurudas Dasgupta said the response to the strike was "unprecedented", specifying that it was not a 'bandh'.

Referring to the Government's claim that it had tried to reach out, Daspgupta said, it was a "made-up show". He said it was "'shameful' that four Ministers were directed by the Prime Minister to meet us only on February 13, of which, the most important one, Finance Minister P. Chidambaram was "conspicuously absent".

Meanwhile, industry chamber Assocham said the losses from the 'bandh' could go up to Rs 26,000 crore, as it had a 'damaging effect' on industrial activity and the services sector.

"In most of the industrial States and enclaves the attendance was poor leading to curtailing of productions shifts. With city transport being affected adversely, the footfalls in the retail trading markets also considerably declined, even though some of the markets remained opened," it added. Our Mumbai Bureau adds: Banking services across the country were severely affected as nearly 10 lakh bank employees and officers struck work on the first day of a two-day strike called by central trade unions.

With employees and officers not reporting at branches and administrative offices, operations in public sector banks, regional rural banks and co-operative banks were impacted. Many branches did not open for customers.

With only private sector banks and foreign banks working, just one-fourth of the daily average volume of about 36 lakh cheques across the country would have been presented for clearing due to the strike. Similarly, even in value terms, only a fourth of the average daily value of transactions amounting to about Rs 26,000 crore would have come up for clearing, say bankers.

Source – The Hindu Business Line February 21, 2013.

BANKING SECTOR'S PROBLEMS MAY WORSEN NEXT FISCAL: S&P

Credit growth for Indian banks is likely to remain muted at 15 per cent in the new financial year beginning April 2013, according to Standard & Poor's Ratings Services.

The troubles for the banking system are likely to increase in the next 12 months due to the slow economic growth and sluggish fiscal reforms.

However, the situation is likely to improve in the fiscal ending March 31, 2015, though not dramatically, said the credit rating agency in a report.

The agency observed that the recovery in the performance of the corporate sector is six months away. For fiscal 2014, the report expects non-performing assets of banks to surge to 3.9 per cent of gross loans. Further, banks' return on assets will remain depressed, at about 0.9 per cent.

The report projects economic growth at about 5.5 per cent for this fiscal (FY 2012-13), 6.4 per cent in FY 2013-14, and 7.2 per cent in FY 2014-15 on the back of increased private consumption and welfare spending, higher agricultural output and recovery in exports.

The report, 'India Banking Outlook 2013: More pain but relief might be on the way,' states: "Critical sectors that depend most on Government action include power, roads, and metals and mining. Construction and auto, among other sectors, would benefit from economic recovery and increased consumption.

"However, an investment revival could take longer unless the Government undertakes significant measures to revitalise the infrastructure sector," said S&P.

Further, Indian banks' strong core customer deposit base will continue to provide access to stable funds.

The report has estimated that the banking industry would face a capital shortfall of $3-4 billion if it immediately tried to attain common equity Tier-1 ratio of 8 per cent to comply with Basel III guidelines, which kick in on April 1, 2013.

In addition, S&P has maintained the negative outlook on all the Indian banks, reflecting the sovereign ratings.

Source – The Hindu Business Line February 26, 2013.

PRIVATE BANKS SCORE OVER PUBLIC SECTOR PEERS IN DECEMBER QUARTER

On key parameters of performance, such as net interest margin and quality of loans, private sector banks have outshone their public sector peers in the quarter ending December 2012, a *Business Line* analysis reveals.

Falling interest rates led to interest incomes growing by just 9 per cent in this quarter for the banking industry as a whole. But private sector banks managed a 22 per cent growth while the public sector banks had to rest content with a mere 3 per cent growth.

The net interest margins (NIMs) for public sector banks declined 26 basis points (bps) on a yearly basis while the margins for private banks remained stable. On a sequential basis, margins improved for most private banks (led by IndusInd bank).

The economic slowdown has moderated overall loan growth for banks at 15 per cent. While industrial credit has slowed, retail loans have shown resilience.

Private Banks lend more to the retail segment and have thus managed higher loan off take. Loans by private banks grew by 20.6 per cent year-on-year in the December quarter, beating the loan growth for public sector banks which was at 14.7 per cent.

Reinforcing the gains from a robust growth in retail loans is the phenomenon of private banks being able to reduce their cost of funds. The interest paid out on deposits did not rise in proportion to the growth in deposits as a whole. 'Current and savings account (CASA) balances, which are relatively less expensive than term deposits, accounted for a significant chunk of monies mobilised for on-lending.

They also reduced their dependence on high-cost bulk deposits. While the growth in CASA was modest for the entire banking universe at 11 per cent, private banks' CASA grew 13 per cent while public sector banks' expanded only by 10.8 per cent.

With the deregulation of savings deposit interest rates, private banks were able to offer competitive rates thus garnering higher share of savings deposits. This has also helped them to maintain their NIMs in a falling interest rate scenario with quicker re-pricing of deposits.

On the other hand, the declining share in CASA, followed by the RBI's recent directive to reduce their high-cost bulk deposit, resulted in a lower growth of deposits for PSU banks.

The old story of bad loan problems continued to play out against public sector banks this quarter. Gross non-performing assets (GNPAs) for banks increased by 6.7 per cent in December compared to the preceding quarter. They rose 7.5 per cent for public sector banks versus 1.5 per cent for private sector banks.

Within public sector banks, Bank of Baroda witnessed the highest slippages with 24 per cent growth in GNPAs, Punjab National Bank on the other hand surprised with higher recoveries and upgrades in asset quality. Within the private sector banks, HDFC Bank slipped the most with 14 per cent increase over the September quarter.

Source – The Hindu Business Line February 26, 2013.

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