

## **EDITORIAL**

### **BITTER DIVIDE**

The Union Cabinet's approval for carving out a separate Telangana from Andhra Pradesh (AP) has set the ball rolling for the creation of India's 29th State. But unlike Uttarakhand, Chhattisgarh or Jharkhand, whose formation encountered little opposition in their erstwhile parent States, Telangana has inflamed passions, orchestrated in fair measure by rabble-rousing politicians. Also, the deal is not quite done yet. Article 3 of the Constitution requires any new statehood Bill to be referred to the legislature of the existing State before its introduction in Parliament. While the legislature's views are not binding on Parliament, a rejection of the bifurcation by a majority of Andhra Pradesh MLAs can create an awkward situation for the Centre. It can still go ahead, but the risks of doing so are considerable.

From the very beginning what was required from the Centre while dealing with Telangana was dispassionate statesmanship. But unfortunately, it is political expediency that has characterised its approach to the longstanding demand for a separate State: It is no accident that the Cabinet decision, and also of the main ruling party earlier, came just ahead of the 2014 Lok Sabha poll. But now that the decision has been taken, the focus should be on minimising tensions and ending the uncertainty that is helpful for neither the people of Telangana nor Seemandhra. The Centre's ability to mediate successfully will be particularly tested on two issues if Telangana becomes reality. First, the sharing of water and energy resources. The Krishna and Godavari flow into Seemandhra through Telangana. Similarly, coal from the Singareni mines in Telangana fires thermal stations in Seemandhra. On the other hand, Seemandhra has gas and is also power surplus, unlike Telangana. Without a proper framework for dispute resolution that allows for rational resource sharing, there is always the danger of narrow parochial sentiments taking over.

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The second potential source of tension is Hyderabad, a major pharma, IT and biotech hub apart from the home for several public sector institutions such as BHEL, ECIL, Nuclear Fuel Complex, Defence Research & Development Laboratory and ICRISAT. While Hyderabad may 'belong' to Telangana, the role played by coastal Andhra Pradesh entrepreneurs in its development cannot be ignored. The city's real strength, indeed, comes from its cosmopolitanism and composite culture that the new ruling class in Telangana should leverage, rather than fomenting an unproductive 'us-versus-them' discourse. That Hyderabad will be the joint capital of Telangana and Seemandhra for 10 years should provide sufficient time for creating a brand new capital for the latter. The Centre and the State should work together to ensure it emerges as a vibrant growth centre; this will help to heal the wounds of separation more than people may think.

## **ENRICH YOUR KNOWLEDGE:**

### **FINANCIAL AWARENESS**

**JUNE QUARTER GDP GROWTH DIPS TO 4-YEAR LOW OF 4.4%:** India's gross domestic product (GDP) growth diver to a four-year low of 4.4 per cent in the April-June quarter of 2013-14, against 4.8 per cent in the fourth quarter of the previous financial year. Economic growth was lower than this in the fourth quarter of 2008-09, at 3.5 per cent, which had seen the ripple effects of the global financial crisis. In the first quarter of 2012-13, the growth was 5.4 per cent.

**COMPANIES BILL ENACTED INTO LAW:** The Companies Bill 2013 has received Presidential assent. With this move, India has now got a new company law that has replaced the erstwhile Companies act 1956. The Corporate affairs Ministry is expected in the next few weeks to come up with draft rules for public comments.

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**NO PROPOSAL TO CONVERT IDLE GOLD INTO BULLION:** RBI has clarified that there is any proposal for converting idle gold, including that available with temple trusts, into bullion.

**RISING CREDIT COSTS, PROVISIONING MAY HIT BANKS' PROFITABILITY:** According to ICRA, declining margins, rising credit costs and provisions are likely to affect the profitability of banks in fiscal year 2014.

**DIRECT SUBSIDY FOR LPG IN 269 DISTRICTS BY JANUARY:** The Government has said it will roll out the scheme for direct transfer of domestic cooking subsidy to bank accounts in 269 new districts by January 2014. As per this scheme, an LPG consumer will get his/her cylinder at full market price and the difference between the subsidised and market price, which is the subsidy, is transferred to the bank account.

**LOK SABHA PASSES LAND BILL:** The Land acquisition, Rehabilitation and resettlement Bill, 2011 was passed in the Lok Sabha on 29<sup>th</sup> August 2013.

**LOK SABHA PASSES FOOD SECURITY BILL:** The Bill was passed on 26<sup>th</sup> August 2013. The Land Bill seeks to lay down transparent proceeds for land acquisition for industrialization, development of essential infrastructural facilities and urbanization by giving adequate financial compensation to the affected people.

**USE REGIONAL LANGUAGES FOR FINANCIAL INCLUSION:** D. Subbarao, RBI Governor has advised banks to reach out to people in Hindi and other regional languages, if financial inclusion has to make any meaningful contribution.

**FRAM SECTOR CAN LIFT GROWTH TO 5.5%:** According to C. Rangarajan, Chairman of the Prime Minister's Economic Advisory council, better-than-expected agricultural growth may help lift the country's economic growth to 5.5 per cent this fiscal.

**GOVERNMENT SHAREHOLDING IN BANKS MUST BE BROUGHT DOWN TO 33%:** According to a RBI discussion paper, as Public Sector Banks will require additional capital support for expanding their business, the Government should either bring down the floor of its shareholding in these banks or park its entire shareholding in a financial holding company. Banking in India is dominated by the Public Sector, which accounted for about 73 per cent of total assets of the sector as at end March 2012. House, an important way to achieve an expansion in capital of the banking sector, while managing fiscal consolidation, would be to widely distribute the ownership stake in banking. The ways to achieve this (expansion in capital) could be to bring down the floor of public stake in the banking sector to 33 per cent from the existing 51 per cent, issue of non-voting or differentiated voting shares or go in for structural change by setting up Financial Holding Company.

**RESERVE BANK OF INDIA OPENS SPECIAL DOLLER WINDOW FOR 3 OIL MARKETING FIRMS:** To take the pressure off the rupee due to unrelenting demand for the dollar, the Reserve Bank of India has opened a special window to meet the entire daily dollar requirements of three Public Sector Oil marketing companies. The Central Bank has activated the forex swap window, whereby it will undertake sell/buy of dollar-rupee forex swaps for a fixed period with Indian Oil Corporation, Hindustan Petroleum and Bharat Petroleum through a designated bank.

**10 PSUS TO RAISE RS.15,000 CR VIA SOVEREIGN WEALTH FUNDS:** In an effort to boost forex inflows, the Finance Ministry has worked out a strategy Wealth Funds (SWFs) to raise at least Rs.15,000 crore in foreign currency. This will be part of a tax-free bonds collected from budget and trade surpluses. The money is normally invested in real and financial assets at home and abroad.

**SECURITY NORMS EASED FOR 100% FDI IN TELECOM:** To give foreign exchange inflows in the country a push, the Government has relaxed the norms for foreign direct investment in the telecom sector by dropping certain security-related provisions mandatory for 100 per cent FDI proposals.

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**PER CAPITA INCOME UP 6.7% IN 2004-12:** The per capita income measure by net national income (NNI) has increased by 6.7 per cent annum between 2004-05 and 2011-12 and poverty reduced by 2.2 per cent per annum during the same period. For 2011-12, the Planning Commission has estimated percentage of people living below the poverty line at 21.9 per cent. The poverty line in 2011-12 in terms of monthly per capita consumption expenditure was estimated at Rs. 816 in rural areas and Rs.1,000 in urban areas. State-wise, Uttar Pradesh had highest number of people living below poverty line during 2011-12 at 598.19 people below poverty line out of every lakh. It was followed by Bihar at 358.15 people (per lakh), Madhya Pradesh 234.04 people, Maharashtra 197.92 people and West Bengal at 184.98 people living below the poverty line.

**FOREX RESERVES UP \$205.8 MILLION:** India's foreign exchange (forex) reserves rose \$ 205.8 million to \$ 278.80 billion in the week ended August 16. The foreign currency assets, which form a major share of the forex reserves, rose by \$ 211.7 million to \$ 251.56 billion.

**IOB WORKED FULL DAY ON 24<sup>TH</sup> AUGUST (SATURDAY):** Due to a complex technological malfunction, its core banking system was affected on Monday (August 19) and it was not able to provide full banking service to its customers. Hence, to make up for the lapse, all branches of the bank across the country worked full day on Saturday.

**IRAQ PROMISES TO RESOLVE EXCHANGE RELATED PROBLEMS:** According to Commerce & Industry Minister Anand Sharma, India and Iraq will look at the possibility of trading their local currencies, insulating India's oil imports from Iraq from the volatile movement of the India rupee against the US dollar. Iraq has emerged as the second largest exporter of oil to India second only to Saudi Arabia. Iraq toppled Iran as the second largest supplier of oil to Iran more than a year back, following US and EU sanctions on Iran.



**HEALTH INSURANCE- FIRMS MOVING TO CO-PAYMENT MODEL:** Health insurance firms are increasingly shifting to the co-payment model, whereby up to 25 per cent of the claim amount will have to be borne by the employee. The insurance company will pay the balance. Co-payment provides tangible benefits to companies in terms of reduced insurance premium.

**FMC MAY BE BROUGHT UNDER FINANCE MINISTRY:** The Government is considering bringing the FMC, which regulates commodities futures trading, under the Finance Ministry. Currently, the Commission is under the administrative control of the Consumer Affairs Ministry. This is as a fallout of the National Spot Exchange Ltd fiasco. Since the commodity and equity markets are interlinked, and the latter is regulated by the Securities and Exchange Board of India, such a move is expected to help better coordination among the regulators. Though the NSEL is not regulated by the FMC, the Commission has oversight power.

**RBI SOFTENS G-SEC BLOW:** To help banks facing huge investment losses in government securities (G-Secs) portfolio, RBI decided to (i) purchase of long-term G-Secs worth Rs 8,000 crore; (ii) allowed banks to spread the capital required to be set aside towards erosion in the value of Government securities classified as available for sale and held for trading — equally over three quarters of the current financial year; (iii) allowed banks to park G-Secs aggregating 24.5 per cent of their deposits in the held-to-maturity (HTM) investment category. Securities parked in HTM do not require banks to set aside capital even if there is erosion in their value. Current regulations require banks to bring down the securities in the HTM category from 25 per cent to 23 per cent of their deposits in a phased manner by March 14. Further, within the above HTM limit, banks have been allowed to transfer securities from the available for sale and held for trading investment categories.

**CIVIL AVIATION AUTHORITY BILL INTRODUCED:** A Bill to set up a Civil Aviation Authority which will regulate the civil aviation sector has been introduced in the Lok Sabha. The proposed Authority will have administrative

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**DIRECT TRANSFER - 32 LAKH PAYMENTS VIA AADHAAR SO FAR:** The Planning Commission has said that 32 lakh payments have so far been made under the Direct Benefits Transfer (DBT) scheme through the Aadhaar Payment Bridge. Over 40 crore Aadhaar enrolments have already been done and there is a target of 60 crore by 2014. Among the States, the largest number of Aadhaar enrolments was done in Andhra Pradesh and Maharashtra at 65,942, 390 and 62,697,642, respectively. The DBT is now being implemented in 28 schemes across 121 districts.

**FLAT PANEL TVS NO MORE DUTY-FREE BAGGAGE:** At present, the Government allows airline passengers to import televisions valued up to Rs 35,000 free of any duty (under baggage allowance rules). Air travellers will now have to pay customs duty on flat panel television sets when they land in India from abroad. The new duty regime will come into effect from August 26.

**ALL SUBSIDIARIES WILL BE MERGED WITH SBI IN NEXT 10 YEARS:** According to Pratip Chaudhuri, Chairman, SBI, all its subsidiaries will be merged with SBI in the next 10 years and bank will merge one subsidiary every two years. Chaudhuri, who was at Suranam village in Sivaganga district to launch SBI's 15,000 {+t} {+h} branch, said a decision on the first merger will be taken after a detailed report on State Bank of Hyderabad is received.

**INFLATION SURGES TO 5-MONTH HIGH OF 5.78% IN JULY:** Food articles' inflation rose to double digits at 11.91 per cent in July 2013 against 9.74 per cent in June. The rise in inflation was mainly on account of the sharp slide in rupee against the dollar.

**NEW COMPANY LAW TO COME INTO EFFECT ON APRIL 1, 2014:** While Parliament has given its nod for the Companies Bill, according to Renuka Kumar, Joint Secretary, Ministry of Corporate Affairs, the entire law, including the Rules, will be in place by April 1, 2014.





General Manager, to Canara Bank as an Executive Director. Arun Srivastava has been appointed an Executive Director at Bank of India. Prior to this, he was General Manager at Bank of Baroda. R. Koteeswaran has been appointed as an Executive Director at Bank of India. He is currently General Manager at Bank of Baroda. Mukesh Jain will move from Dena Bank to Punjab & Sind Bank as Executive Director, B.B. Joshi has been appointed as an Executive Director at Bank of Baroda. Joshi is currently a General Manager at Bank of India. Jaikumar Garg has been appointed Executive Director at UCO Bank. He was General Manager at Corporation Bank. T.K. Srivastava, who is currently General Manager at Union Bank, has been appointed Executive Director in Syndicate Bank.

**RBI TO TRANSFER RS 33,010-CR SURPLUS PROFIT TO GOVERNMENT:** This amount represents transfer of surplus profit by the RBI to the Government for the year ended June 30, 2013.

**E-FILING OF L-T RETURNS ZOOMS:** Till August 5, the Central Board of Direct Taxes (CBDT) had received 123.03 lakh e-filed returns. This is 68.3 per cent higher than 73.11 lakh returns e-filed in the corresponding period last year.

**Source: Latest Banking & Financial Awareness: September 2013.**

### **EXCERPTS FROM AIRRBOF CIRCULARS**

Circular # 30:2013

3<sup>rd</sup> October 2013

#### **RESERVE BANK OF INDIA CONSTITUTED COMMITTEE ON COMPREHENSIVE FINANCIAL SERVICES FOR SMALL BUSINESSES AND LOW INCOME HOUSEHOLDS**

Reserve Bank of India by its notification on 23<sup>rd</sup> September, 2013 Constituted Committee on Comprehensive Financial Services for Small Businesses and Low Income Households. The Committee is constituted with the following members:

**Committee Chair:**

Dr. Nachiket Mor, Central Board Member, Reserve Bank of India

**Committee Members:**

1. Ms. Bindu Ananth, President, IFMR Trust.
2. Dr. Prakash Bakshi, Chairman, NABARD.
3. Shri Bharat Doshi, Chairman, Mahindra & Mahindra Financial Services.
4. Shri A.P. Hota, Managing Director & CEO, National Payments Corporation of India.
5. Shri Sunil Kaushal, CEO, Standard Chartered Bank India.
6. Ms Roopa Kudva, Managing Director & CEO, CRISIL Limited.
7. Smt. Zia Mody, Managing Partner, AZB & Partners.
8. Shri S.S. Mundra, Chairman & Managing Director, Bank of Baroda.
9. Dr. Vikram Pandit, former CEO, Citigroup (2007-2012).
10. Shri Ramesh Ramanathan, Chairman, Janalakshmi Financial Services.
11. Smt. Shikha Sharma, Managing Director & CEO, Axis Bank.
12. Shri A. Udgata, Principal Chief General Manager, Reserve Bank of India Member Secretary.

The terms of reference of the committee is as follows:

1. To frame a clear and detailed vision for financial inclusion and financial deepening in India.
2. To lay down a set of design principles that will guide the development of institutional frameworks and regulation for achieving financial inclusion and financial deepening.
3. To review existing strategies and develop new ones that address specific barriers to progress and that encourage participants to work swiftly towards achieving full inclusion and financial deepening, consistent with the design principles.
4. To develop a comprehensive monitoring framework to track the progress of the financial inclusion and deepening efforts on a nationwide basis.

5. Any other related issue/s the committee may want to opine on.

Our Federation, AIRRBOF, sent a letter vide no. 2022:83:2013 dated 26<sup>th</sup> September, 2013 and demanded for a Meeting with the Committee.

Circular # 31:2013

17<sup>th</sup> October 2013

### BIPARTITE TALKS WITH IBA

We reproduce hereunder the text of All India Bank Officers' Conference Circular No. 47, dated 12<sup>th</sup> October, 2013.

#### **Quote:**

We reproduce, hereunder, circular no. UFBU/2013/06 issued by Convenor, UFBU for your information and circulation among members. Another round of bipartite discussions was held today in Mumbai between IBA and UFBU on our demands for wage revision. IBA was represented by its Core Committee led by Shri R K Dubey, CMD, Canara Bank and UFBU was represented by all the Nine Constituent Unions.

**D.A. Formula:** Revision of Dearness Allowance formula has been discussed at length since the CPI points under 1960-series are no longer compiled and the DA published. The DA payable is being arrived at after duly converting the Consumer Price Index (CPI) points compiled under 2001-series. UFBU has impressed upon the need to switch over to CPI 2001-series for payment of DA and revision of DA on monthly basis. IBA said that they have to examine the matter in detail before responding.

**Reimbursement of Hospitalisation Expenses:** Management wanted to know the response of the UFBU on introduction of Medical Insurance Scheme. UFBU constituents after elaborate discussions among the unions decided to have improvements in the present scheme and have it in-house rather than switching over to insurance especially in view of the difficulties faced wherever the insurance scheme is in operation. Hence, UFBU conveyed to IBA its

disinclination towards introduction of Medical Insurance Scheme in place of the existing scheme for Reimbursement of Hospitalisation Expenses. However, the IBA suggested that whatever difficulties that are being envisaged could be discussed and sorted out and requested the UFBU to consider its view point.

**Compassionate Appointments:** UFBU sought to know the developments in regard to Compassionate Appointments, since a long time has elapsed after sending recommendations of IBA on the Scheme to the Ministry of Finance, Government of India. IBA informed that the matter is still pending with the Government. UFBU exhorted upon the need to finalise the matter immediately as it has been lingering on for many years without any resolution.

**Superannuation Cost:** UFBU demanded that the cost on superannuation and welfare measures should not be included in the cost of wage revision. IBA said that they would examine the matter.

**Five-day Week:** UFBU has insisted for introduction of 5-day week in the banking industry for the reason that after introduction of technology, various alternate channels like ATMs, Net Banking, etc. are widely available and being utilized by the customers and hence, it would not cause any inconvenience. Besides it is a common and growing phenomenon globally to have 5-day week to ensure better quality of life. IBA assured to examine the matter.

**Introduction of concepts of Cost-to-Company (CTC) and Variable Pay:** UFBU has conveyed unequivocally its opposition for the introduction of concepts of CTC and Variable Pay in the banking industry.

**Wage Revision of officers:** Responding to the earlier stand taken by IBA to restrict negotiations in case of officers from Scale-I to Scale-III alone excluding officers from Scale-IV to VII, UFBU demanded that the negotiations should be held with the negotiating unions on wages and service conditions of all officers from Scale-I to Scale-VII as hitherto especially in view of the service conditions being common for all the categories and also to ensure relativity between the Scales.



Comrades, since there is no satisfactory progress towards revision of wages and it is unduly delayed, the Constituents of UFBU decided to exhibit their dissatisfaction. UFBU has, accordingly, decided to express its dissatisfaction by conducting demonstrations throughout the country in all State Capitals and other Major Centres on **22<sup>nd</sup> October 2013** demanding **expeditious wage settlement**. We request all our units/members to conduct massive demonstrations at all these Centre and make it a thunderous success.

We also exhort upon our units and members to be in readiness for further agitations, including strike if need be, if there is no positive and expeditious response from the Government/IBA to settle the 10<sup>th</sup> Bipartite Wage Settlement at the earliest.

Yours sincerely,  
Convener  
U.F.B.U.

**UNQUOTE**

Circular # 32:2013

28<sup>th</sup> October 2013

**FOUNDATION CONFERENCE  
OF BANGIA GRAMIN BANK RETIREES'  
ASSOCIATION IN KOLKATA ON 27<sup>TH</sup> OCTOBER 2013**

Bangia Gramin Bank Officers' Association took the right initiative to organise retired officers and employees under the banner of All India Bank Pensioners and Retirees Confederation (AIBPERC). Accordingly the Foundation Conference was organised at the Conference Hall of ICMARD, Kolkata on 28<sup>th</sup> October, 2013.

The Foundation Conference was well attended by retired employees of the Bank. Lot of enthusiasm was noticed amongst those attended. The invitees included leaders of AIBPERC including Com. S.R. Sengupta, General Secretary. Com. S.K. Bhattacharjee, General Secretary, AIRRBOF was also present on the

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occasion. The inauguration of the Conference was done by Com. S.R. Sengupta who outlined the growing organisation of Bank Retirees, the need of the hour and gave clarion call to the Retired Officers and Employees of RRBs to organise themselves under the banner of AIBPERC.

Com. S.K. Bhattacharjee, General Secretary, AIRRBOF recounted the struggle of the RRB officers under the banner of AIRRBOF to attain Parity in Pension. He outlined the present legal battle before the Supreme Court and exuded his confidence that our Federation shall be able to clinch legal victory so that Pension is introduced at par with Sponsor Banks in RRBs. He wished the Foundation Conference all success and pledged full support.

The Conference was felicitated by Com. Suprita Sarkar, Jt. General Secretary, AIBPERC, Com. Dipak Basu, former President, AIBOC, West Bengal State Unit and Com. Aparash Bhattacharjee, Leader of AIBPERC. Joint Convenor of the Conference presented their report which was adopted unanimously. Bye laws of the Association was also adopted. A team of Committee members led by Com. Uday Adhurya as President and Com. Swapan Sarkar as General Secretary was also elected. The Conference was also greeted by Com. Subhas Basu, President, Bangia Gramin Bank Officers' Association and was ably compared by Com. Tushar Kanti Hazra, General Secretary, Bangia Gramin Bank Officers' Association.

### **PRESS CORNER:**

#### **DIWALI COMES A MONTH IN ADVANCE FOR BUYERS**

Adding sparkle to your festival shopping, the government has said state-run banks will soon provide cheaper loans to fund purchases of TVs, refrigerators, motorcycles and scooters. More goodies could be covered by the scheme later. The government hopes this selective stimulus will give a boost to capacity addition, employment and production, helping spur growth that fell to a four-year low of 4.4% in the first quarter of the fiscal. The decision was taken at a

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meeting between Finance Minister P Chidambaram and RBI Governor Raghuram Rajan on Thursday. Economic Affairs Secretary Arvind Mayaram was also present during the discussions. The government will increase the capital support to banks from the budgeted.14,000 crore to help them lower interest rates on select category of goods identified. While this will bring relief to the consumers, especially the middle class, it is also expected to give a boost to capacity addition, employment and production, the finance ministry said in a statement. The additional capital will enable banks to lend to borrowers in select sectors such as two-wheelers and consumer durables at lower rates to stimulate demand, the statement said.ET had on September 18 reported that the government was considering a mechanism to provide cheaper loans to auto and realty sectors. Chidambaram will soon meet heads of public sector banks (PSBs) to impress upon them the need to lower interest rates in select sectors, including automobiles, to boost demand and revive sagging growth. Lower interest rates will depend on the lending capacity of banks. Banks will decide on sectors where lower rates will boost demand. I will meet bankers soon, Chidambaram said. Experts dismissed concern that the government's measure to prop up demand would undermine the Reserve Bank of India's efforts to tame inflation. Raghuram Rajan had in his first policy unexpectedly raised the repo rate by 25 basis points as wholesale inflation climbed to a six-month high of 6.1% in August.

**Source – The Economics Times, 4<sup>th</sup> October 2013.**

### **STATE-RUN BANKS TO GET FUNDS FROM GOVERNMENT TO PROVIDE CHEAPER LOANS**

The Indian consumer is getting a Diwali bonus from the Government - money that it hopes will ripple through the economy, having a benevolent effect right through the chain and imparting a much-needed stimulus to flagging growth.

The Government didn't say how much the programme would cost. The targeted stimulus, plans for which were reported by Economics Time on September 18, will see the money routed through state-run Banks. The Banks will in turn use it to provide cheaper loans to fund the purchase of televisions, refrigerators, motorcycles and scooters, and perhaps more items later.

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The Government hopes this selective stimulus will lead to a consumer boom and boost capacity addition, job creation and production, helping spur growth that slumped to a four-year low of 4.4% in the first quarter of the fiscal.

Finance Minister, P. Chidambaram and Reserve Bank of India, Governor, Raghuram Rajan met on 31<sup>st</sup> September, 2013 to decide on the stimulus programme. Economic affairs secretary Arvind Mayaram was also present at the discussions.

The Government will increase capital support to Banks from the budgeted Rs. 14,000 crore to help them lower interest rates on the category of goods identified.

"While this will bring relief to the consumers, especially the middle class, it is also expected to give a boost to capacity addition, employment and production," the Finance Ministry said in a statement. The additional amount of capital will enable banks to lend to borrowers in the selected sectors at lower rates in order to stimulate demand, the statement said.

Chidambaram will soon meet the heads of public sector banks to impress upon them the need to lower interest rates in sectors such as auto to boost demand and lift growth.

"Lower interest rates will depend on the lending capacity of banks. Banks will decide on sectors where lower rates will boost demand. I will meet bankers soon," Chidambaram said.

Experts said the measure won't undermine RBI's efforts to tame inflation. In his first monetary policy announcement since taking over, Rajan had unexpectedly raised the repo rate by 25 basis points as wholesale inflation climbed to a six-month high of 6.1% in August. A basis point is one-hundredth of a percentage point.

"It will work," said Abheek Barua, chief economist of HDFC Bank. "There is a genuine problem of demand... If pricing power has been lost, then this would not really contribute to inflation".

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He said, however, the details of the scheme would need to be examined.

Production of consumer durables fell 12% in the April-July period, indicating week demand for discretionary purchases.

The persistent economic gloom - growth last year crashed to a 10 year low - has discouraged Indians from opening their wallets to buy anything but the bare essentials. Signs of hope - higher exports, a stronger rupee, a good monsoon - haven't yet translated into a definite revival, although the government has embarked on a series of steps aimed at boosting growth and increasing investment, ahead of state elections and next year's national poll.

Meanwhile, an ET Intelligence Group survey has indicated that net profit at the 50 Nifty companies is likely to have declined by 3.5% in the September quarter. However, Chidambaram told ET yesterday that he was confident of an improvement in the second half of the year thanks to the factors cited above.

**Source – The Economics Times, 4<sup>th</sup> October 2013.**

### **PROVISIONAL LIST OF NEW BANKS IN JANUARY**

Reserve Bank of India (RBI) deputy governor K.C. Chakrabarty has said only a provisional list of new bank licensees will be announced by January and it will take at least two years for a player to become operational.

“Let me clarify, no new bank will come by January. A provisional list of applicants who are eligible to get a licence will be decided in January. New banks will take at least two years to come,” he said here over the weekend.

Reserve Bank of India, Governor, Raghuram Rajan has been repeatedly assuring that some concrete action will be taken on issuing new bank licenses before the end of the term of Deputy Governor, Anand Sinha, who is in charge of banking department, in early February.

After announcing a panel headed by former RBI governor Bimal Jalan to look into the issue, Rajan on Friday followed up by announcing the remaining members of the committee. The panel includes former RBI deputy governor Usha Thorat, former Sebi chief C.B. Bhavé and a former executive director at ICICI Bank Nachiket Mor. Finance Minister, P. Chidambaram on Saturday said seven licences will be issued in the current round of bank licensing. The RBI had last issued licences in 2002, when Kotak Mahindra Bank and Yes Bank were granted licenses.

Following an announcement by the then Finance Minister, Pranab Mukherjee, the RBI issued final guidelines on new banks in February this year. The most notable feature is the decision to allow corporates into the fray, provided they meet proper norms.

**Source – The Hindu Business Line October 7, 2013.**

### **PENSION REGULATIONS TO BE OVERHAULED BY DECEMBER**

Armed with statutory powers after the pension Bill was passed by Parliament earlier this month, the pension fund regulator plans to overhaul some of the regulations governing the managers of the National Pension System.

“We are re-looking our regulations. We will tweak some provisions in the guidelines governing the pension fund managers. The guidelines will be finalised by December,” said Yogesh Agarwal, Chairman, Pension Fund Regulatory and Development Authority (PFRDA).

The PFRDA Bill, 2011, is now a law as it was passed in both Houses of Parliament last week after being in limbo since 2005.

“On the ground, the Bill doesn’t change anything for the NPS. However, there will be an increase in confidence and enrolments from subscribers as we now have the statutory powers to impose penalties and punishment for violating our guidelines,” Agarwal said.

The Government is also in the process of selecting board members for the regulator, which currently has a staff of 60.

NPS started as a pension scheme for employees of the unorganised sector in 2004. Subsequently, to lower its burden from pension liabilities, the Government moved its employees to NPS from the earlier defined benefit pension programme. In 2009, the NPS was extended to all employees.

Currently, NPS has 55 lakh subscribers with a total corpus of Rs 35,000 crore. The scheme has given returns of 12-14 per cent over the last one year.

According to a pension fund manager, distribution is a major issue as the commissions for marketing and distribution of NPS is very low at 0.25 per cent, especially for retail distribution.

According to Puneet Nanda, Executive Director, ICICI Prudential Life Insurance, "NPS is a very good product for planning the long-term pension needs of customers. With enhanced incentives for marketing and distribution, it can offer a good proposition to them. We have begun witnessing good traction for this product from corporates."

PFRDA is also planning to allow its subscribers to partially withdraw from the corpus before maturity. Currently, subscribers to NPS can exit at the age of 60.

"At present, we do not allow any withdrawal. But there are requests to look at withdrawals in cases, such as emergency medical condition, and we are looking at that," Agarwal said.

**Source – The Hindu Business Line October 2, 2013.**

**BREATHER FOR PRATIP CHAUDHURI IN  
CONTEMPT PETITION FILED BY SBI OFFICERS' UNION**

The Madras High Court has fixed October 10 for hearing a contempt of court petition against Pratip Chaudhuri, who retired as chairman of State Bank of India on Monday.

Senior counsel for the bank stated that Chaudhuri could not be present in court as required 'since he was retiring' from the Mumbai office that very day.

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Two other respondents in the case, Ranjit Goswami, Chief General Manager (Human Resources), and N. R. Satpathy, Deputy General Manager, were present when the contempt petition was taken up on Monday.

SBI Officers' Association (Chennai circle) and All-India SBI Officers' Federation had jointly filed the petition in a case involving withdrawal of the 'check-off' facility to the association.

What had triggered the petition was breach of an interim stay on a contentious circular issued by the bank withdrawing this facility.

This facility provided a lifeline to the association in the form of individual subscriptions from salary accounts of member-officers routed to its account by the bank.

The management ensured that subscriptions ranging from Rs 100 to Rs 200 per employee went into the association's account on the 25th of every month, the day of salary payment.

The convention has been that, at the time of joining, every employee gives a standing instruction in writing authorising the bank to deduct the sum from his/her salary account.

But the management had proceeded to suddenly withdraw the facility suggesting to members of the unions that they pay up their subscriptions individually.

**Source – The Hindu Business Line October 2, 2013.**

### **TOP NPA ACCOUNTS OF BANKS ON FINMIN RADAR**

Rising non-performing assets (NPAs) or bad loans in the banking system have prompted the Government to turn the heat on public sector banks (PSBs) to improve their loan recovery mechanism. It also said that top 30 NPA accounts of each bank were being closely monitored.

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Concerned about the NPA situation, Finance Minister P. Chidambaram on Tuesday directed PSBs to set up a separate vertical or division for recovery of technically written-off accounts.

Such a vertical would be headed by an official of General Manager rank, Chidambaram told newsmen after a three-hour meeting with chief executives of public sector banks in New Delhi on 22<sup>nd</sup> October, 2013.

This is the first time banks have been asked to come up with a dedicated vertical for recovery of technically written-off accounts, a banker who attended the meeting, said.

Already, PSBs have recovery cells, but not a dedicated one for technically written-off accounts, a banker pointed out.

“We will look at the Finance Minister’s suggestion on a separate vertical for technical write-off accounts and implement it in true spirit,” S. L. Bansal, Chairman and Managing Director, Oriental Bank of Commerce.

The total technical write-offs in the banking system as of June-end 2013 stood at about Rs 83,000 crore.

Chidambaram pointed out that it was important for banks to focus on recovery of technically written-off accounts as every rupee recovered from such write-offs was “pure profits” for banks. He urged PSBs to ensure that their write-offs were not more than their recoveries.

In the case of six banks — Indian Overseas Bank, Indian Bank, Bank of India, Bank of Maharashtra, Union Bank of India and Syndicate Bank — the write-offs have been more than their recoveries during the quarter ended June 2013.

The current difficult situation on the NPA front is the result of a slowdown in the pace of growth of the economy, Chidambaram said.

Large borrowers, (who borrow above Rs 1 crore), account for bulk of the NPAs, he pointed out. "I have asked banks to keep a close watch on large accounts and also go after willful defaulters." Chidambaram also noted that bulk of the people do not willfully default and are likely to repay if the economy picks up.

**Source – The Hindu Business Line October 23, 2013.**

### **SOME URBAN CO-OP BANKS CAN GET SCHEDULED STATUS: RBI**

The Reserve Bank on 27<sup>th</sup> September, 2013 allowed Urban Cooperative Banks (UCBs) with total deposits of over Rs. 750 crore to graduate to Scheduled Bank category.

If UCBs fulfill certain listed criteria, it will be eligible for inclusion in the second schedule, the RBI said in a notification.

All the Public Sector Banks, Private Sector Banks, Foreign Banks, Regional Rural Banks are part of the second schedule.

According to the Government's notification, with effect from 1<sup>st</sup> April, 2013, only those primary Co-operative Banks whose demand and time liabilities are not less than Rs. 750 crore would be treated as a 'Financial Institution' for the purpose of inclusion of UCBs in the Second Schedule of the Reserve Bank of India Act, 1934.

UCBs desirous of seeking inclusion in the schedule should fulfill certain other criteria including continuous net profit for the previous three years, capital adequacy ratio of 12 percent and gross non-performing assets of less than 5 percent.

Besides, the Bank needs to comply with Cash Reserve Ratio and Statutory Liquidity Ratio requirements and there should not be major regulatory and supervisory concerns.

Such UCBs can submit their application along with relevant documents to the Regional Office concerned of Urban Banks Department.

The RBI had last opened this window in 2004.

**Source – The Hindu. Business Line, 28<sup>th</sup> September, 2013.**



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## **AIRRBOF NEWS LETTER**

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