

## EDITORIAL

### **BEATING INFLATION IS A TIGHTROPE WALK**

The recent abatement of the year-on-year Consumer Price Index (CPI) inflation rate to below 7 per cent has generated a chorus of pleas from India Inc for a reduction in Reserve Bank of India (RBI) policy interest rates. Adding grist to the mills is Finance Minister Arun Jaitley's clarion call for a reduction in interest rates.

This is most unfortunate. So far, the NDA government's stance had been that interest rate policy was the prerogative of the RBI.

The history of India's battle against inflation is replete with instances of taking the foot off the brakes just as the RBI is about to slay the 'inflation monster', thus giving it a breather to claw at the entrails of the economy.

When inflation touches double digits, the RBI is severely criticised for having let the genie out of the bottle and there is all round support for inflation control.

But as inflation falls below 7-8 per cent there is a clamour for a reduction in interest rates. It is not appreciated that a premature drop in policy interest rates does not provide an appropriate stimulus to kick-start the economy.

Interest cost is, generally, about 10 per cent of total cost and a one percentage point reduction in interest rates brings down overall costs of production by 0.1 per cent.

By lowering policy interest rates prematurely, all that happens is that Banks cut deposit rates and savers are encouraged to shift from financial savings to physical savings.

The Banking system has ample liquidity and credit expansion is unduly low (less than 2 per cent on a year-on-year basis) essentially because real sector activity is low.

A cut in interest rates, far from providing a kick-start to the economy, merely gives the inflation rate a kick up.

If the RBI prematurely gives up the battle against inflation while it is in the 6 per cent range, the economy gets conditioned that inflation in the region of 6 per cent is the new normal and this is precisely how inflation at each successive surge becomes higher and higher.

Some years ago the RBI would consider that an inflation rate of 6-7 per cent was too high and the tolerance level was considered as 4 per cent.

If the RBI now gives up the battle against inflation at the current level, the next round of inflation will reach stratospheric levels.

It is not for nothing that in the early 1980s, when former Prime Minister, Manmohan Singh was governor of the RBI, he had said that the governorship of the RBI was the loneliest job in India.

Hence the RBI has to steel itself to relentlessly fight the battle against inflation and not give up prematurely.

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If it signals that it has started backing off from its anti-inflationary stance at a higher threshold, inflationary pressures will get entrenched and it will become virtually impossible to eradicate inflation from the system.

It is important that economic agents get the signal that the RBI has an unequivocal, unswerving, anti-inflationary monetary policy.

Opinion-makers have been showing greater maturity than hitherto.

It is recognised that the recent fall in inflation rate is largely in food and fuel prices which could very easily reverse. Further, there has not been a demand compression.

Moreover, the decline in inflation is due to the base effect which will soon wear off and that could result in resurgence in inflation. Again, the US Fed will, at some stage in the ensuing months, step up interest rates.

This will result in capital outflows from India. If the RBI reduces policy interest rates now, the increases in RBI would need to be steeper when the Fed increases interest rates.

There is also the possibility of crude oil prices rising, in which case the burden on the Indian fisc could be heavy.

In the event of a widening of gross fiscal deficit, it would not be feasible to ease monetary policy. As such, it would not be appropriate to ease monetary policy.

Even among the EMEs the Indian inflation rate is an outlier. As such the RBI should not risk a reduction in policy interest rates in the ensuing few months.

As the Indian psyche finds a sizeable depreciation of the rupee vis-à-vis the US dollar unacceptable, this would be inconsistent with an easier monetary policy.

For all these reasons a prudent monetary policy would point to the RBI not reducing policy interest rates on 2<sup>nd</sup> December, 2014.

I will never tire of repeating *ad nauseum* the telling statement made by economist PR Brahmananda, a former president of the Indian Economic Association: "Not caring about inflation is like going into battle without caring about the wounded, the dying and the dead".

### **ENRICH YOUR KNOWLEDGE:**

#### **RBI'S RECENT SIMPLIFIED KYC MEASURES**

**1. Single document for proof of identity and proof of address:** There is now no requirement of submitting two separate documents for proof of identity and proof of address. If the officially valid document submitted for opening a Bank account has both, identity and address of the person, there is no need for submitting any other documentary proof. Officially valid documents (OVDs) for KYC purpose include: Passport, driving licence, voters' ID card, PAN card, Aadhaar letter issued by UIDAI and Job Card issued by NREGA signed by a State Government official. The information containing personal details like name, address, age, gender, etc., and photographs made available from UIDAI as a result of e-KYC process can also be treated as an 'Officially Valid Document'.

**2. No separate proof of address is required for current address:** For opening a Bank account or while undergoing periodic updation, customers can submit only one proof of address (either current or permanent). If the current address is different from the address mentioned on the proof of address, a simple declaration by her/him about her/his current address would be sufficient.

**3. No separate KYC documentation is required while transferring accounts from one branch to another of the same Bank:** Once KYC is done by one branch of the Bank, it is valid for transfer of the account to any other branch of the same Bank. The customer can transfer her/his account from one branch to another branch on the basis of declaration of his/her local address for communication.

**4. Small Accounts:** Those persons who do not have any of the 'officially valid documents' can open 'small accounts' with Banks. A 'small account' can be opened on the basis of a self-attested photograph and putting her/his signature or thumb print in the presence of an official of the Bank. Such accounts have limitations regarding the aggregate credits (not more than Rupees one lakh in a year), aggregate withdrawals (not more than Rupees ten thousand in a month) and balance in the accounts (not more than Rupees fifty thousand at any point in time). These small accounts would be valid normally for a period of twelve months. Thereafter, such accounts would be allowed to continue for a further period of twelve more months, if the account holder provides a document showing that she/he has applied for any of the officially valid document, within twelve months of opening the small account.

**5. Relaxation regarding officially valid documents (OVDs) for low risk customers:** If a person does not have any of the 'officially valid documents', but if is categorised as 'low risk' by the Banks, then she/he can open a Bank account by submitting any one of the following documents: (a) identity card with applicant's photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions; (b) letter issued by a gazetted officer, with attested photograph of the person.

**6. Periodic updation of KYC:** Time intervals for periodic updation of KYC for existing low/medium and high risk customers have been increased from 5/2 years to 10/8/2 years, respectively.

**7. Other relaxations:** In case a customer categorised as low risk is unable to submit the KYC documents due to genuine reasons, she/he may submit the documents to the Bank within a period of six months from the date of opening account foreign students have been allowed a time of one month for furnishing the proof of local address.

**Courtesy: Latest Banking & Financial Awareness: September, 2014.**

### **EXCERPTS FROM AIRRBOF CIRCULARS**

Circular # 68:2014

7<sup>th</sup> November 2014

#### **CONCILIATION MEETING HELD BY CLC TODAY – NO IMPROVEMENT IN IBA'S OFFER – CLC CALLS FOR FURTHER MEETING ON 10<sup>TH</sup> INSTANT – UFBU DECIDES TO GO AHEAD WITH THE STRIKE**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 79, dated 5<sup>th</sup> November, 2014.

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"Our members are aware that consequent to the strike notice, Chief Labour Commissioner (Central), New Delhi invited for a conciliation meeting of the parties, i.e. the IBA and UFBU in his office on 5<sup>th</sup> November, 2014. No worth mentioning development could take place in the meeting. The circular issued by the Com. Murli, convener of the UFBU on date is being reproduced hereunder for your information:

Further to the Strike notice served on the IBA by the UFBU, conciliation meeting was held today in New Delhi by Mr. P.P. Mitra, Chief Labour Commissioner, Ministry of Labour, Government of India. IBA was represented by Mr. M.V. Tanksale, Chief Executive, Mr. Unnikrishnan, Dy. Chief Executive and other officials. UFBU was represented by all the constituent unions.

During the conciliation proceedings, the IBA contended that due to the reducing profitability of the Banks, they are unable to accept the demands of the UFBU and stated that for the sake of an amicable settlement, they would be willing to consider improving their present offer provided UFBU agrees to substantially reduce the demands. IBA also suggested that UFBU should defer the strike so that the negotiations may be further continued.

On behalf of the UFBU, we explained the reasonability and justification of our demands and stated that the IBA's offer falls too short of our expectations and hence not at all acceptable. We further stated that looking to the runaway inflation as well as the increasing stress and workload under which bank employees and officers are working now-a-days, we deserve adequate wage revision. We also said that besides improvement in emoluments and service conditions, other demands like 5 day banking, regulated working hours for officers, improvement in pension scheme, extending the old pension scheme to the newly recruited employees, etc. are also needed to be resolved but the IBA is not forthcoming on these issues.

IBA informed that they are willing to continue the negotiations further and appealed to the UFBU to defer the strike to facilitate a better atmosphere. UFBU informed that the strike call has been forced on the Unions due to the unhelpful approach and unacceptable offer of the IBA and reiterated its preparedness for further negotiations provided IBA would come forward with substantial improvement in their offer.

After hearing both sides, the Chief Labour Commissioner suggested that both IBA and the UFBU should take steps to reconcile the differences and reach an amicable settlement. He further advised the IBA to talk to the UFBU to find out how the strike could be averted. He also adjourned the conciliation proceedings to 3-00 PM on 10<sup>th</sup> November, 2014 for further discussions.

Thus, our demands remained unresolved and UFBU decided to go ahead with the strike. **Hence, we call upon all our constituent unions and members to march on to 12<sup>th</sup> November 2014 strike without any let up."**

Comrades, the developments if any, shall be advised you immediately after the conciliation meeting. Please do not go by any rumours and continue with the preparations for the strike".

Circular # 69:2014

11<sup>th</sup> November 2014

### **TALKS WITH IBA FAILED CONCILIATION MEETING CALLED BY CLC INCONCLUSIVE**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 80, dated 10<sup>th</sup> November, 2014.

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**All India RRB Officers' Federation.**  
**"JGGP HOUSE", Raja Rammohan Road, Hakimpara, Siliguri – 734001(West Bengal)**  
**E-MAIL: [airrbof555@yahoo.co.in](mailto:airrbof555@yahoo.co.in) / [shyamalkb5@yahoo.com](mailto:shyamalkb5@yahoo.com)**  
**WEB SITE: <http://www.airrbof.org.in>**



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"We reproduce hereunder Circular No:34 dated 10-11-2014, issued by Com. M. V. Murali, Convenor of UFBU for your information and necessary action:

Further to the conciliation meeting held by the Chief Labour Commissioner (CLC), Ministry of Labour on 5<sup>th</sup> instant, IBA invited UFBU for a round of Bipartite Talks on our demands and accordingly today forenoon, discussions took place in Delhi between UFBU and IBA.

During the discussions, IBA continued with their pleading that in the context of reducing profits of the Banks, it would be difficult for them to accede to our demands but would however endeavor to improve their offer provided UFBU would substantially reduce the demand. From UFBU, we contested these arguments and reiterated that our demands are quite reasonable and workable and yet UFBU would be flexible if IBA would come up with an improved offer so that an amicable settlement can be reached ending the anxiety of the employees and officers.

After a lot of deliberations, with both sides maintaining their respective standpoints, UFBU indicated its willingness to revise its demand to 23 % keeping in mind the need to find an amicable solution to the issue. Unfortunately, IBA remained adamant and refused to improve their offer thus compelling a situation on us.

In this background, the adjourned conciliation meeting was held by the CLC Mr. P P. Mitra, in the afternoon, in the office of the Labour Ministry. Representatives of the Ministry of Finance were also present during the conciliation proceedings.

In this meeting also IBA repeated their arguments and displayed their strike but without any improvement in their offer. Thus, the conciliation meeting ended without any positive result.

Hence, UFBU decided to go ahead with the proposed agitational programmes including the ensuing All India One Day Bank Strike on the 12<sup>th</sup> November 2014 and Zonal Strikes from the 2<sup>nd</sup> to 5<sup>th</sup> December 2014.

IBA must shed its obstinacy. The callous attitude displayed by IBA is forcing the UFBU to go ahead with its strike programmes and also to further intensify the agitation. Comrades - March ahead – Let us display our strength in full – Let us make the strike actions a stupendous success.

Comrades, we call upon you to make the strike call of November 12, 2014 a grand success. All agitational programmes advised earlier including withdrawal of extra co-operation should be implemented in letter and spirit. The customers and public at large must be informed about the reasons for our going on strike. The print and electronic media should also be approached for giving wider publicity to the adamant approach of IBA and the Government".

Circular # 70:2014

14<sup>th</sup> November 2014

**STRONG SIGNAL TO THE ADAMANT IBA ALL INDIA BANK STRIKE – A GRAND SUCCESS**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 81, dated 13<sup>th</sup> November, 2014.

"We reproduce, hereunder, the contents of the Circular No. UFBU/2014/35 dated 12.11.2014 on the captioned subject issued by Com. M.V. Murali, Convenor, UFBU for your information and circulation among the members.

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"We are glad to inform the members that the call of UFBU for One Day Protest Strike today, i.e., 12<sup>th</sup> November 2014, demanding immediate wage revision, is a grand success true to the saying that **"If everyone is moving forward together, then success takes care of itself"**.

**"The strength of the team is each individual member. The strength of each member is the team."** We sincerely place on record our highest appreciation and congratulations to the entire membership for the total success of the One Day All India Protest Strike, demanding immediate wage revision.

Reports are pouring in from different parts of the country that the banking transactions came to a grinding halt throughout and the Strike is a grand success. We heartily congratulate all the members for their wholehearted participation in the rallies/demonstrations conducted all over the Country displaying the anguish of bank employees over the recalcitrant attitude and callous approach of IBA resulting in undue delay in settlement on wage revision.

The success of the strike is a clear warning signal to the adamant IBA to change its rigid approach and come forward to settle a reasonable wage revision.

UFBU is for a negotiating settlement. The just demands of the bank workmen and officers are not given any cognizance by IBA-Government combine and the UFBU is compelled towards the agitation path as IBA has been so rigid in sticking to its meager offer of 11% increase in pay slip components, despite UFBU's inclination to slide to 23% from its earlier demand of 25% in order to pave the way for an amicable settlement.

The demands of the bank workmen and officers are reasonable. The reasons attributed by IBA that banks cannot afford a better wage revision to their employees quoting the reducing net profits are not acceptable inasmuch as the Public Sector Banks have registered growth continuously with the operating profits increasing year after year. The UFBU is demanding just adequate wages and nothing extra-ordinary or beyond the capability of banks.

The sincere efforts made by the UFBU to pave the way for an amicable settlement, in the bipartite meeting held by IBA on 10<sup>th</sup> instant were futile and the subsequent Conciliation Meeting held by the Chief Labour Commissioner ended inconclusively resulting in the inevitable One Day Strike today.

Let us continue to show the strength of our Unity in ensuring success in all the remaining action programmes decided by UFBU. Comrades – Move ahead with the same strength and more vigor and ensure great success to the Relay Zonal Strikes starting from 2<sup>nd</sup> to 5<sup>th</sup> December 2014 and all the future programmes, as decided by UFBU.

We heartily thank the trade union fraternity in the banking industry and its entire membership for their wholehearted support. We sincerely thank the United Forum of Reserve Bank Officers and Employees, All India Insurance Employees Association and all the other trade unions for extending their fraternal support to our justifiable cause".

We take pride in sharing the reports received from various States. Our salutation to fighting comrades of the Jaharkhand Unit of UFBU, who took out a rally despite promulgation of code of conduct and section 144, showing their steely resolve to the Hon'ble Finance Minister, who was present in the city of Ranchi on

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11<sup>th</sup> November, 2014. Nearly 700 comrades, including hundreds of lady comrades fearlessly participating in the protest rally were taken into custody and were released in half an hour. On the strike day also in the demonstrations, more than 500 comrades participated in front of BOI, Zonal Office, Ranchi and approximately 800 comrades participated at State Bank of India, Zonal Office, Ranchi.

The capital, Delhi witnessed a mammoth gathering of nearly four thousand comrades, including lady comrades and young DROs, demonstrating in front of SBI, Parliament Street Branch, which is in proximity of Department of Financial services (DFS). It was addressed by leaders of all nine constituents of UFBU, including your General Secretary. The correspondents from various TV channels were present and gave live coverage. Hundreds of young DROs from AIBOC stood with placards demanding decent wage settlement and displaying comparison of salaries, on the roads of famous Connaught Place as well as opposite office of DFS. This attracted attention of a huge number of general public as well as DFS officials and facilitated in spreading awareness among common public towards the fate of the bank employees and officers. Later in the evening a live discussion with the undersigned on the issue of wage settlement was telecasted at 'Rajya Sabha TV' - a prestigious channel.

Bank officers and employees took out protest rallies across the State of Kerala. In Thiruvananthapuram, a huge rally was taken out on 11<sup>th</sup> November 2014 evening where more than 1500 bank officers and employees participated. On 12<sup>th</sup> November, the protest demonstration was inaugurated by Com. V S Achuthanandan, Leader of Opposition, Kerala Legislative Assembly and veteran communist leader. It was also addressed by Com. Panniyam Raveendran, Secretary, CPI, Kerala State Committee. Thereafter a huge rally comprising of more than 2500 officers with almost 50% ladies was taken out to the RBI office. At Ernakulam, massive dharna in which more than 1000 comrades participated and which was inaugurated by Ex MP and CITU State GS Com. Chandran Pillai, INTUC state General Secretary, V.P George, Com. C.D. Josan the UFBU State Convenor and other leaders from fraternal organization of LIC and GIC also addressed.

Comrades from Chennai exhibited exemplary enthusiasm when braving the rains more than 4000 comrades including large number of women and younger generation officers assembled near Valluvar Kottam, Nungambakkam for the demonstration. Red salute to all comrades and representatives who ensured good participation. Even the Nature bowed down to their determination, when rain stopped at 10 am for a few hours.

Mumbai also reverberated with a massive show of strength when more than 10,000 members thronged the historic Azad Madan near CST Railway Station. There was huge turnout of officers including lady officers and DROs from AIBOC. More than 2000 officers and workmen participated in demonstration held at Pune. In Nagpur 1000 comrades gathered in front of zonal office of Bank of India, Kingsway Nagpur for the demonstration. Apart from other centers of Maharashtra, Goa also organized a rally at Azad Madaan, Panaji where more than 500 members participated.

In West Bengal, massive demonstrations were held at Kolkata. Guwahati and Tripura have also sent reports of successful demonstrations. There are reports of huge UFBU demonstration held in Gujrat including at Ashram Road Ahmedabad as well as at cities of Vadodara, Surat, Rajkot, Bhuj etc. In Chandigarh approximately 3000 members gathered at banks square in front of Bank of India, in MP, demonstration were held in Raipur, Khandwa, Indore, Ujjain, Jabalpur, Gwalior and other centres apart from Bhopal where more than 800 comrades gathered.

Comrades, we have once again proved our unity, solidarity and dedication to the cause. The strike call was a thunderous success! Kudos and Salutation to our unity! The news of strike has been covered widely at all centres by electronic and print media. Let us continue to forge ahead with our movement by implementing the agitational calls of 'withdrawal of extra co-operation' and relay strike from 2<sup>nd</sup> to 5<sup>th</sup> December, 2014, as already advised".

Circular # 71:2014

14<sup>th</sup> November 2014

**GUEST HOUSE OF OUR CONFEDERATION AT NEW DELHI RENOVATED BOOKING RESTARTS**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 82, dated 14<sup>th</sup> November, 2014.

"Our members are aware that All India Bank Officers' Confederation is maintaining a Guest House in New Delhi. This Guest House is a flat consisting of three bedrooms and a drawing cum dining room. The need was being felt for its renovation for a long time. We feel pleasure in advising you that the renovation work of the Guest House is complete now along with installation of Air Conditioner, Geyser and Television in all the three rooms.

The allotment of the rooms of the Guest House has restarted with immediate effect to members of all the Affiliates of the Confederation at the reduced charges of Rs. 300/- per day. All our Affiliates / State Units and members are requested to bring this communication to the notice of the members so that they can avail this facility in New Delhi.

The address of the Guest House is as under:

**7/13, 1<sup>st</sup> Floor, Old Rajendra Nagar,  
(Near Water Tank) New Delhi-110060**

Caretaker : Mr. Lalit  
Mob No. : 08512850518  
Landline No. : 011-25720817

The request for bookings can be sent at the Central Office of the Confederation at following address / fax / E-mail ID:

The Office Secretary,  
All India Bank Officers' Confederation,  
C/o Bank of India, Parliament Street Branch,  
PTI Building, 4, Sansad Marg,  
New Delhi- 110001.  
Fax No. : 011-23719431  
E-mail ID : [aiboc.guesthouse@gmail.com](mailto:aiboc.guesthouse@gmail.com)  
Contact Person : Mr. Surender Sharma  
Mobile No. : 09818008855

The members would be sent confirmation letter subject to availability and advising of transaction ID, after depositing of booking charges for the credit of a/c no. 601610110005803 held with Bank of India, Parliament Street Brach, New Delhi, IFSC Code: BKID0006016".



Circular # 72:2014

14<sup>th</sup> November 2014

**TRANSFER OF FEMALE EMPLOYEES IN RRBS – MINIMIZING THEIR HARDSHIP**

The preferential posting of Female employees was allowed in Public Sector Banks some time back. Immediately AIRRBOF demanded that the same facility be extended to RRBs. We took up the issue with Dept. of Financial Services (DFS) and also held dialogue with them.

We are glad to advise that Dept. of Financial services by a letter No. F. No. 7/37/2014 – RRB advised Chairmen of the RRBs on the captioned matter. The advice is in line with those circulated to public Sector Banks. We annex the Govt. of India circular for your ready reference.

**F. No. 7/37/2014-RRB  
Government of India  
Ministry of Finance  
Department of Financial Services**

Jeevan Deep Building Parliament Street,  
New Delhi-110 001

Dated 7<sup>th</sup> October 2014

To  
The Chairmen,  
All RRBs.

Subject: Transfer of female employees in RRBs - minimizing their hardship.

Sir,

It has been brought to the notice of the Department that female employees of Regional Rural Banks (RRBs), married or unmarried, when placed/transfer-d away from their husband or parents, as the case may be, to distant locations face a genuine hardship and develop a feeling of insecurity. Keeping in view it has been decided:

- (i) to accommodate as far as possible placement/transfer of married female employee, on her request, at a place where her husband is stationed or as near as possible to that place or vice versa; and
- (ii) to accommodate as far as possible placement/transfer of unmarried female employee, on her request, at a place where her parents are stationed or as near as possible to that place.

RRBs are, therefore advised to frame a policy on the subject with the approval of their Board suitably incorporating the above and take immediate action for implementation and compliance. Pending requests may also be considered under these guidelines. A line of confirmation may be sent to this Department immediately after adoption of the policy by the Board of the RRB.

Yours faithfully,

(A.K. Dogra) Deputy Secretary to the Government of India

Copy to:

The MDs/CMDs of all sponsor banks of RRBs

(A.K. Dogra) Deputy Secretary to the Government of India

Circular # 73:2014

14<sup>th</sup> November 2014

**LEADERSHIP OF UFRRBU HELD MEETING WITH DFS OFFICIALS TODAY**

United Forum of RRB Unions (UFRRBU) which spreaded the organisational action in respect of pending issues was not quite active for some time. Despite of our best efforts to forge total unity amongst RRB officers & employees, same was not possible due to composite Unions' obsession with unrealisable NRBI issue.

In order to consolidate our best efforts for unity and fight for our issues six out of 9 Association/Unions in RRBs assembled in the morning of 14<sup>th</sup> November, 2014 in New Delhi. The Meeting was chaired by Com. S.K. Bhattacharjee. The following Associations/Unions were present:

- (i) All India RRB Officers' Federation (AIRRBOF).
- (ii) All India Gramin Bank Officers' Association (AIGBOA).
- (iii) All India Gramin Bank Employees Association (AIGBEA).
- (iv) All India Gramin Bank Employees Congress (AIGBEC).
- (v) All India Gramin Bank Officers Congress (AIGBOC).
- (vi) National Confederation of RRB Unions (NCRRBU).

The leadership of the constituent Associations/Unions decided to relunch the campaign for settlement of our issues and also press for merger of RRBs with Sponsor Banks. It was decided that a Meeting be fixed today with available DFS officials and a Meeting with new Secretary, DFS at the earliest opportunity.

Accordingly, Meeting have been fixed with Shri A.K. Dogra, Dy. Secretary (RRB) as the Shri Alok Tandon, Jt. Secretary had gone abroad for training. Leadership of UFRRBU led by Com. S.K. Bhattacharjee, Chairman, UFRRBU met Shri A.K. Dogra, Dy. Secretary and Shri Gobind Ram, Under Secretary, Dept. of Financial Services. Host of issues were discussed. We pointed out that the issues discussed in the last JCC Meeting were also not properly reflected in the minutes circulated. We pointed out that the following issues need immediate redresal:

- (i) Provision of Staff welfare Scheme – We demand that minimum 5% profit of RRBs be appropriated for the purpose.
- (ii) Total amedment of RRB Recruitment & Promotion Policy to make it at par with Sponsor Banks.
- (iii) Grant of Special Leave to office bearers as per the policy followed in Public Sector Banks.

It was clarified by Shri A.K. Dogra that DFS shall issue circular reintroducing the Compassionate Appointment Scheme in line with Public Sector Banks shortly.

The talks remained positive and it was decided that the dialogue process be continued.

UFRRBU decided to raise the issue of merger of RRBs with Sponsor Banks in our Meeting with Secretary, DFS.

Circular # 74:2014

26<sup>th</sup> November 2014

**GENERAL SECRETARY CONDUCTED FOUR DAY TOUR OF VIDHARVA – HELD MEMBERS' MEETING AT DIFFERENT CENTRES – HELD MEETING WITH MANAGEMENT OF VKGB & OVER SAW PREPARATION FOR 10<sup>TH</sup> TRIENNIAL CONFERENCE TO BE HELD AT CHANDRAPUR ON 31<sup>ST</sup> JAN. & 1<sup>ST</sup> FEB. 2015**

General Secretary of our Federation undertook four day visit of different centres of Vidharva Konkan Gramin Bank (VKGB) from 21<sup>st</sup> to 24<sup>th</sup> November, 2014. He reached Nagpur Rly. Station in the morning of 21<sup>st</sup> November, 2014. On that day he visited Khamla Branch of VKGB in the Nagpur City and gathered first hand information of the functioning of VKGB. He also undertook visit of Service Branch. He met cross section of employees & officers and discussed with them contemporary issues.

In the evening of 21<sup>st</sup> November, 2014 Meeting of members was organised at the Conference Hall of Hotel Rahul Deluxe, Nagpur. The Meeting Hall was packed to capacity. Besides General Secretary of our Federation, the Meeting was attended by State Secretary, AIBOC, Maharashtra II Unit, Com. Devraj Mishra, General Secretary, Bank of India Officers' Association (Vidharva Unit), Com. Anant Kulkarni and Com. R.G. Makhija, President, AIRRBOF and General Secretary, VKGB Officers' Association. The Meeting was initiated by Com. S.D. Akre, Regional Secretary by Welcome address. The speakers spoke on several developments and the prespective and the need for wholehearted participation in the ongoing agitation programme and the need for strong Trade Union for officers. Com. S.K. Bhattacharjee, General Secretary, AIRRBOF in his brief but highly invigorating speech dovetailed the recent developments, the fight of the officers for clinching superannuation benefit and need for strengthening our Federation. Com. R.G. Makhija also spoke briefly on the occasion and called upon the members to make 10<sup>th</sup> Triennial Conference a grand success.

On 22<sup>nd</sup> November, 2014 morning Com. General Secretary accompanied by Com. R.G. Makhija went to Chandrapur. He visited the proposed venue, the site for the rally and overviewed other arrangements. In the afternoon Meeting of members was organised at Kamghar Bhavan. Large number of members attended the Meeting and the hall was overflowing with participants Com. R.D. Bhusari, Regional Secretary welcomed the participants. Com. R.G. Makhija briefed the members on the recent development, the going on at the Bank Level and several issues concerning Management. He also decried the fact of non-participation in the Bank strike on 12<sup>th</sup> November, 2014 by AIGBWO & AIGBOO. Thereafter, Com. S.K. Bhattacharjee spoke on all recent developments. He traced out the history of RRB Officers' Movement and the long standing disparity and discrimination meted out to officers & employees of RRBs. He called for whole hearted participation of members to make the 10<sup>th</sup> Triennial Conference a grand success. Vote of thanks was rendered by Com. S.W. Aole.

General Secretary of our Federation and Com. R.G. Makhija visited Akola, located at a distance of over 350 kms. from Chandrapur travelling 6 hours. Large number of members attended the meeting which started at 4:00 PM. Prior to that VKGB Officers' Association organised 'Workshop on Renewal, Documentation & other aspects to avoid loan becoming NPA' from 11:00 AM on the same venue. During the Meeting Com. R.G. Makhija shared with the members developments at the Bank Level and issues taken up with Management. Com. S.K. Bhattacharjee appraised the members on the Pension issue, the relevance of organisational developments and called up for strengthening VKGBOA and AIRRBOF. He also cajoled on the officers to make the 10<sup>th</sup> Triennial Conference a grand success. Welcome address was rendered by Regional Secretary, Com. A. Mahate and Vote of thanks by Com. S.K. Alkari. The Meeting was a grand success.

**All India RRB Officers' Federation.**

**"JGGP HOUSE", Raja Rammohan Road, Hakimpara, Siliguri – 734001(West Bengal)**

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Com. General Secretary visited Head Office of Vidharva Konkan Gramin Bank on 24<sup>th</sup> November, 2014. He held Meeting with Shri S.D.S. Carapurcar, Chairman, VKGB. Also related issues figured in the Meeting. During the Meeting with Chairman, General Secretary, AIRRBOF was flanked by Com. Ashoke Chippa, Working President, VKGBOA, Com. Makhija, General Secretary, VKGBOA and S.D. Akre, Regional Secretary, Bhandara. The Meeting lasted for more than two hours. The meeting is expected to resolve certain delicate issues.

On the night of 24<sup>th</sup> November, 2014 General Secretary, AIRRBOF departed from Nagpur Rly. Station.

Circular # 75:2014

26<sup>th</sup> November 2014

**CREATION OF STAFF WELFARE FUND IN RRBs**

We reproduce hereunder the text of the letter written by the Federation on the captioned subject to The Chief General Manager (IDD), National Bank for Agriculture & Rural Development, for your information & necessary action.

"We draw your kind reference to the discussion in the course of Meeting of JCC held on 24.09.2014 on the captioned matter. We also raised the issue in course of our Meeting at Department of Financial Services.

In view of the fact that NABARD need to put its thought on the issue to initiate the process, it is appropriate that you kindly consider the issue of creation of Staff Welfare Fund in RRBs. You shall appreciate that all PSBs apportion a portion of their Profit Before Tax (PBT) to transfer the same to Staff Welfare Fund. The percentage of appropriation hovers around 3% to 5%. However, in case of RRBs the appropriation should be uniformly @ 5% of PBT of the respective RRB. The Staff Welfare Fund should be managed by a Committee having Representatives of both Management and Trade Unions of Officers and Workmen Staff. We suggest that the fund should cater to the following needs of both existing and retired officers and employees:

- (i) Arrangement of Holiday Home at designated centres.
- (ii) Medical Expenses as per a scheme drawn for retired officers and employees.
- (iii) Arrangement of coaching to be successful in different professional examinations like CAIIB etc.
- (iv) Arrangement of suitable other welfare activities matching with the corpus of the fund & the need.

Please convene a special Meeting of JCC to formulate a scheme & Rules of Staff Welfare Fund as well as send your recommendation to Govt. of India, Ministry of Finance, Department of Financial Services.

We look forward to your early action".

Circular # 76:2014

26<sup>th</sup> November 2014

**MARCH AHEAD MAKE RELAY ZONAL STRIKES A GRAND SUCCESS**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 83, dated 22<sup>nd</sup> November, 2014.

"We reproduce, hereunder, the contents of Circular No.: UFBU / 2014 /36 dated 21.11.2014 on the captioned subject issued by Com. M.V. Murali, Convenor, UFBU for your information, circulation and implementation.



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"All India Bank Strike on 12<sup>th</sup> November 2014, as per the call given by UFBU, was a grand success. The participation in the Strike and other agitational programmes was unprecedented. All the workmen and officers, with lot of zeal and enthusiasm, participated in all the action programmes. Particularly on the day of strike i.e., on 12<sup>th</sup> November 2014, wherever Rallies / Centralised Demonstrations were held the presence of the employees, irrespective of the cadre, was huge and unprecedented.

The Constituents and their Affiliates were successful to a greater extent in explaining the justification of our issues and the circumstances that forced the Bank employees to resort to strike action which received wide publicity throughout the country. More particularly the customers understood the agony and anguish of the Bank employees and are sympathetic to the cause.

The call for One Day token Strike was to invite the attention of the IBA and Government combine and bring to their notice the anguish of the Bank employees without causing much inconvenience to the customers and public. At times it may become inevitable to cause inconvenience, however best one may try to avoid. But we are sure that our esteemed customers would understand the situation and be sympathetic to our cause.

We are moving closure to our next strike action i.e., Relay Zonal Strikes scheduled from 2<sup>nd</sup> to 5<sup>th</sup> December 2014. We must gear up to make the Relay Zonal Strikes, the first of its kind in the Banking Industry, another grand success. In our march towards Relay Zonal Strike, the following action programmes may be implemented by all the Constituents / Affiliates. On 29<sup>th</sup> November 2014 i.e., Saturday, Meetings / Rallies / Press Meetings as decided by UFBU at State Level may be held at all important Centres / District Head Quarters to have wide publicity to the Relay Zonal Strike.

Massive Demonstrations on the day preceding Strike Action, i.e., on 1st December in Southern Zone, 2nd December in Northern Zone, 3rd December in Eastern Zone and 4<sup>th</sup> December in Western Zone shall be held at all important Centres and State Capitals of respective Zones.

The schedule of Relay Zonal Strikes is as under:

<b>02.12.2014</b>	<b>Southern Zone</b> consisting States of Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Telengana and Union Territories of Lakshadweep and Puducherry.
<b>03.12.2014</b>	<b>Northern Zone</b> consisting States of Chattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, New Delhi, Punjab, Uttar Pradesh, Uttaranchal, Rajasthan and Union Territory of Chandigarh
<b>04.12.2014</b>	<b>Eastern Zone</b> consisting States of Bihar, Jharkhand, Odisha, Sikkim, West Bengal, North Eastern States and Union Territory of Andaman & Nicobar Islands
<b>05.12.2014</b>	<b>Western Zone</b> consisting States of Goa, Gujarat, Maharashtra and Union Territories of Daman & Diu

**All India RRB Officers' Federation.**

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We urge upon our Unions / Members to ensure full participation in all the programmes and make it a total success. We reiterate that workmen and officers should not attend to normal functions on the strike day including clearing and CTS operations.

We hope the IBA and Government combine, having understood the seriousness, would initiate positive steps to resolve the issues without further aggravation. In the event our issues still remain unresolved we may be forced to resort to more strike actions including Indefinite Strike in the days to come.

Comrades – March ahead with enhanced vigour and zeal! Make the Strike Grand Success”.

Comrades, While we draw satisfaction on the successful implementation of the call of strike on 12<sup>th</sup> November, 2014, and all preparatory programmes given by the United Forum of Bank Unions, we strongly feel that any complacency in implementation of agitational programme will affect the long drawn struggle including Relay Zonal Strikes from 2<sup>nd</sup> to 5<sup>th</sup> December, 2014. We are of the opinion that the effect / success of the Relay Zonal Strikes will very much depend on the functioning of CTS grid at concerned zones. No member bank is taking up the issue forcefully with RBI and hence, the officers and staff are working on holidays also to handle the clearing work. We need to take a common stand of boycotting the CTS grid clearing on holidays under Negotiable Instrument Act and also on the strike days in Zonal Strikes, so that our call leaves an impact on all the four days from 2<sup>nd</sup> December to 5<sup>th</sup> December, 2014.

Implementation of our call of “Withdrawal of Extra Co-operation” needs to be implemented uniformly by all our affiliates for achieving our two major demands of regulated working hours and five days banking. Though, we should not raise fingers against each other i.e. constituents of UFBU or their Affiliates for their indifference in implementation of this call, we need to reassess the position and ensure its implementation. We once again request you to ensure review of the implementation of this call and take necessary steps for its implementation, lest we will be charged with laxity on our part”.

Circular # 77:2014

27<sup>th</sup> November 2014

### **PENSION CASE BEFORE SUPREMECOURT – HEARING HELD ON 26<sup>TH</sup> NOVEMBER 2014**

The hearing of the SLP(C) filed by Union of India, popularly called Pension case, was heard by Hon’ble court no.4 of The Supreme Court of India on 26<sup>th</sup> November 2014. The development during the hearing is given below:

“The subject SLP was listed before the same Bench before Court No.4, Item No.1 on 26.11.2014 as Part-Heard matter. Mr. Jayant Bhushan, Sr. Advocate had been briefed on the previous evening with respect to cost calculations of Pension Scheme as per data of NABARD. He appeared along with Mr.D.S Chauhan, Advocate on Record in the matter on 26.11.2014. The hearing in the matter started right in the morning. Mr. Chander Uday, Sr. Advocate appearing for the petitioner in the writ petition of South Malabar commenced arguments, which went on for more than an hour. At the end, keeping in consideration the views of the Bench and also the suggestions put forward by the Bench that they would not come in the way if by negotiations with UOI the Employees Federations and Unions before the Court are able to obtain from the Government any improved Pension Scheme as compared to what they have already proposed to offer. This suggestion of the Bench has been accepted by all the parties present, including by us.

Accordingly, the matters have been adjourned by three months to facilitate the parties to arrive at negotiated settlement. UOI has been directed to include in the negotiations all stake holders. The negotiations would be unconditional. UOI shall provide necessary information / data as may be required by the parties to the negotiations. If any amicable settlement is arrived at, the same shall be placed on record. In case no settlement is arrived at, the matters would be argued further by the parties on merits."

Circular # 78:2014

28<sup>th</sup> November 2014

**PENSION CASE SLP NO.39288/12 - HON'BLE SUPREME COURT PASSED  
INTERIM ORDER ON 26<sup>TH</sup> NOV.14. BILATERALISM ESTABLISHED - MODALITIES IN  
PAYMENT OF PENSION ON PAR WITH NATIONALIZED COMMERCIAL BANKS TO BE ENSURED**

We reproduce hereunder the circular issued by UFRRBU for your information and record.

"After a prolonged hearing of our Pension Case, it has been adjourned with interim order passed by apex court on 26<sup>th</sup> Nov.2014. The argument in the SLP was initiated by Sri Jayant Bhushan, Sr. Counsel for AIRRBOF and it was going on in right direction. Particularly after day long effective argument of Senior counsel of Pensioner Samity, Dr Rajeev Dhawan, our claim was about to settled favourably as he categorically refuted any condition of profitability or viability in granting parity of 1993 pension to RRB's staff with retrospective effect by quoting NIT and Hon'ble Supreme court previous findings as follows:

**"This conclusion of the Tribunal has become final, the award in question not having been assailed and on the other hand having been implemented. In the aforesaid premises it is the futile attempt on the part of the employer as well as the Union of India to re-agitate the dispute, which has already been resolved and has been given effect to.**

**In our considered opinion, therefore, the aforesaid contention on behalf of the appellant cant not be sustained and it would no longer be open, either for the bank or Union of India to raise a contention that in determining the wage structure of the employees of the RRBs ,the financial condition would be a relevant factor".**

But, on 20<sup>th</sup> Nov. Shri K.K. Rai, Sr.Counsel on behalf of AIRRBEA argued vainly and Hon'ble bench commented adversely. However, on 26<sup>th</sup> Nov. Sri C U Singh, Senior counsel on behalf of South Malabar Gramin Bank Employees-Officers' tried his best to repair the loss incurred on 20<sup>th</sup> Nov.2014. He argued in right direction but unfortunately touched the computation part of affidavit of UOI /working out of pension scheme referring NABARD and financial position of south Malabar (Kerala) Gramin Bank etc which has given the opportunity to Hon'ble Bench to give an interim order as such.

**"In view of the above, parties are permitted to negotiate for an amicable settlement, without any preconditions. The learned Additional Solicitor General representing the Union of India shall inform all learned counsel representing the Federations/Unions the modalities of the negotiation process. So as to ensure an effective and meaningful result, managements of the RRBs and all stake holders be also taken on board during the negotiations.**

**In case, the Federations/Unions seek any documents in connection with the ongoing negotiations and furnish a list thereof, the same shall be provided to them.**

**In case parties arrive at a mutual settlement, the same shall be placed on the record of this case within three months from today. List thereafter as part-heard."**

Friends, the opportunity for negotiated settlement for pension has arisen. The apex court of our country has paved the way of bilateralism in RRB. We welcome this interim order so as to provide us an opportunity for Bipartite Settlement in RRB".

Circular # 79:2014

28<sup>th</sup> November 2014

### **DBT- LPG CONNECTION- INCLUSION OF NAME OF RRBs**

We reproduce hereunder the letter written by the Federation to the Secretary, DFS, Govt. of India on the captioned subject for your information and necessary action.

"We observe from the website of the Petroleum Ministry, Government of India that the list of Banks eligible to provide DBT to LPG consumers does not contain the names of Regional Rural Banks. It is quite appropriate to note that Regional Rural Banks are scheduled Banks and owned by Government of India, sponsors Public Sector Banks and the respective State Govt. It is agonising that account holders of RRBs have to open new A/c with such enlisted Banks.

We therefore, request you to immediately take up with the concerned Ministry so that all the RRBs are enlisted in the DBT to LPG consumers.

Your early action is solicited".

### **BANKING ROUNDUP:**

#### **SHRI S.S. MUNDRA TOOK OVER AS THE DEPUTY GOVERNOR OF THE RESERVE BANK OF INDIA**

The Government of the India has appointed Shri Mundra as the Deputy Governor of RBI, for a period of three years from 31<sup>st</sup> July, 2014. Prior to joining the Reserve Bank, Shri Mundra was Chairman and Managing Director, Bank of Baroda, the second largest Bank in the country.

#### **UNITED BANK DECLARES KINGFISHER AIRLINES PROMOTER, DIRECTORS AS WILLFUL DEFAULTERS**

Kolkata based lender United Bank of India (UBI) is the first Bank to declare Kingfisher Airlines, its promoter Vijay Mallya and three Directors on the board of the airlines as "willful defaulters".

#### **GDP GROWS 5.7% IN JUNE QUARTER, MOST IN 2 YEARS**

For the quarter ended June this year, India's economy grew at a nine-quarter high of 5.7%, compared with 4.6% in the previous quarter, driven largely by industry. For the June quarter of 2013-14, Gross Domestic Product (GDP) had increased 4.7%.

#### **INDIA'S Q1 CAD SHARPLY DIPS TO 1.7% OF GDP**

India's Current Account Deficit (CAD) for the first quarter ended June 2014 narrowed sharply to 1.7% from 4.8% of GDP in Q1 ended June, 2013. The fall in CAD was aided by contraction in trade deficit on rise in exports and dip in imports. The CAD for fourth quarter (March 2014) of 2013-14 was 0.2% of GDP. There was accretion of \$11.2 billion to foreign exchange reserves in Q1 of 2014-15 as against drawdown of \$300 million in the same quarter of 2013-14.



### **EPF INTEREST RATE RETAINED AT 8.75%**

The Central Board of Trustees of the Employees' Provident Fund Organisation, have retained the interest rate at 8.75% (2013-14 rate) for 2014-15 also. Investment norms for the over Rs. 5 lakh crore corpus have been relaxed to generate higher returns. It will be possible to invest up to 100% in Government securities in the short term. The service charges levied by SBI on EPF collections have been reduced from the existing uniform rate of Rs. 3 per Rs. 1000 to Rs. 1.80 per Rs. 1000 for net based transactions and Rs. 2.40 per Rs. 1000 for physical transactions.

### **COAL BLOCK ALLOCATIONS FROM 1993 'ILLEGAL'**

The Supreme Court on 25<sup>th</sup> August declared 218 coal block allocations made between 1993 and 2010 as illegal and arbitrary. Following this ruling, Banks' loans to mining companies owning these blocks and to power and metal companies depending on coal supply from them could turn bad. As per RBI data, as on 27<sup>th</sup> June, 2014, Banks' overall exposure to the power sector was Rs. 5.08 lakh crore; iron and steel, Rs. 2.65 lakh crore; metals and metal products, Rs. 90900 crore; and mining (including coal), Rs. 36800 crore.

### **FINANCE MINISTRY MULLS SPLITTING CHAIRMAN AND MD POST FOR PSU BANKS**

Finance Ministry is considering bifurcation of the post of Chairman and Managing Director in Public Sector Banks to strengthen corporate Governance. Earlier, bifurcation of the CMD's post was also suggested by Reserve Bank to the Finance Ministry. RBI had contended that CMDs of Public Sector Banks enjoy absolute power along with boards. In PSBs, the top executive is designated as CMD, with the exception of the largest lender State Bank of India, where the top position is commanded by the Chairman and there are four Managing Directors with clearly defined executive roles under her/him. The posts of Chairman and MD in the private sector are held separately.

### **FINMIN LOOKING AT TWO MODELS FOR VESTING GOVT. STAKE IN PUBLIC SECTOR BANKS**

According to G.S. Sandhu, Secretary, Financial Services, the Finance Ministry is examining two Bank investment holding company models for parking the Government's shareholding in Public Sector Banks. One view is that for all the Banks we should have a single holding company. The second view is that we should have a holding company first at the Bank level, particularly for Banks, such as State Bank of India and Punjab National Bank, which have a large number of subsidiaries. So, each of these Banks (large Banks) will have one holding company and above all these holding companies there would be an apex holding company.

### **RBI TO REVIEW PRIORITY SECTOR LENDING NORMS THIS YEAR**

To help it keep pace with the changing economic dynamics. RBI is also looking to review to exposure limits for single and group of counterparties to help mitigate risks during cyclical downturns.

**Courtesy: Latest Banking & Financial Awareness: September, 2014.**

**PRESS CORNER:**

**NABARD MAY CONVERT NBFC ARM INTO A SMALL BANK**

The National Bank for Agriculture and Rural Development (NABARD) will consider converting its subsidiary NABARD Financial Services into a "small finance Bank" if the soon-to-be unveiled Reserve Bank of India guidelines for differentiated Banks allow all-India operation for such Banks.

The RBI is expected to issue final guidelines for differentiated Banks — payment as well as small Banks — by the end of this month.

NABARD owns 68 per cent stake in the Bengaluru-headquartered NABARD Financial Services (Nabfins). The balance stake is held by the Karnataka Government, Canara Bank, Union Bank of India, Bank of Baroda, Dhanalakshmi Bank and Federal Bank.

"We will be keenly watching developments on this (differentiated Bank licensing) front...Once the guideline (on small finance Banks) comes out, we will take a close look at it and consider it as an option.

"...This is an opportunity. We already have a well-functioning non-Banking finance company, which gives small loans," said Harsh Kumar Bhanwala, Chairman, NABARD.

He said Nabfin, which is a Non-Banking Finance Company (NBFC), was created with the sole objective of telling the MFI (Micro Finance Institution) sector that it can also lend at reasonable rates of interest.

"Whereas average lending by other NBFC-MFIs is close to 24 per cent, Nabfin has been able to lend at 16-17 per cent and it is profitable. It has got close to 99 per cent recovery rates," said the NABARD chief.

Nabfin currently operates in four States — Karnataka, Tamil Nadu, Andhra Pradesh, and Maharashtra. Plans are afoot to take it beyond these states.

Over the last four years that Nabfin has been functioning, it has reached over 38,000 self-help groups covering more than 5.7 lakh rural households. As on March-end 2014, it had a loan portfolio aggregating Rs. 1,320 crore. NABARD is also planning to launch a pilot programme for digitisation of all Self-Help Group (SHG) records in 10 districts spread across 10 States of the country. Under the pilot there will be a couple of components — one component will be digitisation of SHG accounts (as of now they are all keeping manual accounts via registers), and details about when the group meets, and the minutes of the meeting.

Secondly, each SHG will be linked to the Bank. So, SHG members can operate their account from the village.

**Source - The Hindu Business Line, November 14, 2014**

**THE CULTURE OF LOAN WAIVERS MUST END: RAGHURAM RAJAN**

Politicians must put an end to the culture of loan waivers, normally offered as a part of pre-poll sops, as it does more harm to the system than offer any help, said Reserve Bank of India Governor Raghuram Rajan.

Recently, politicians from the newly formed States of Telangana and Andhra Pradesh announced a loan-waiver scheme before assembly elections in these States.

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"Clearly this is another form of transfer but again waiving loans does widespread damage. It does damage to the credit culture... it makes it hard to let the flow of credit to happen," Rajan added.

He cited studies on how loan waivers disrupt credit flow and makes the recipients only better off in the short-run but worse off in the long term.

"I think the message that should be sent widely and clearly is to not do loan waivers," Rajan said. He instead suggested other measures such as loan restructuring for people affected by calamities as possible alternatives to loan waivers.

He also cautioned that such waivers end up benefiting the wrong people instead of the intended recipients and added that such doles (in other forms) must be more targeted.

This was, in fact, borne out in the 2008 loan waiver announced by the UPA-I government. Rs. 71,000 crore was later found to have been massively misappropriated. The RBI Governor also added that interest subvention is another practice that needs to be checked.

Subvention is a scheme where the Government encourages lenders to give credit at cheaper rates than market rates to borrowers and then compensates the lenders.

"To my mind, broad-based interest subventions distort the price of credit and lead to misuse. They also lead to wrong kind of information.

"For example, if you incentivise short-term loans, you don't get long-term investments," he added. He suggested using Direct Benefits Transfer instead of encouraging interest subventions.

"If you want to incentivise a particular activity of, say, small and marginal farmers, give them direct transfers and let them use it in whichever way they want.

"Do not force them to get into borrowing by offering them lucrative benefits," Rajan added.

**Source - The Hindu Business Line, November 14, 2014**

**RBI'S NEW NORMS LIKELY TO 'STIFLE' NBFCs**

Non-Bank finance companies (NBFCs) may see a sharp rise in bad loans and their bottom lines could be dented as a result of the Reserve Bank of India's revised regulatory framework governing them.

The framework put out by the RBI on Monday has left many industry participants dissatisfied, with most calling this as a move that is likely to "stifle" the sector.

While all stakeholders (NBFCs, credit rating agencies, and broking firms) are of the view that some provisions in the new framework such as enhanced capital requirements, disclosure norms, etc., will strengthen the sector, a few disagreed, saying that a couple of other provisions will deal a "body blow" to the sector. Credit rating agencies such as ICRA cautioned that the new framework will likely push up the non-performing assets (NPAs) of NBFCs by about two percentage points, when the asset classification norms are fully implemented over the next three-and-a-half years. The framework seeks to bring NBFCs on a par with Banks, by mandating NBFCs to classify an account as a non performing loan if the customer does not service the installment for more than 90 days. Currently, NBFCs have 180 days to classify an account as NPA.

ICRA has estimated that retail NBFCs covering 63 per cent of the sector's total advances of Rs. 3.7-lakh crore as on June 30, 2014, classify NPAs on the basis of the existing 180-day norm, while NBFCs with 20 per cent advances are already on the 90-day norm.

"Thus the change in norm is likely to lead to a rise in the reported gross NPA from 4.5 per cent as on June 30, 2014, to 6-8 per cent once the norms are fully implemented, thereby increasing incremental credit provisioning," ICRA said in a report.

While analysts believe that the new framework will be a net-positive for the sector and the financial system in the long run, industry captains almost unanimously flayed the new framework.

Sunil Kanoria, Vice-Chairman of Kolkata-based Srei Infrastructure Finance, said, "The new framework is a big disappointment. When, like Banks, they want us to recognise NPAs 90 days past due, why don't they give us tools like Sarfaesi to go out and recover our loans?" The RBI is sending us into the battlefield without enough weapons and armoury, he added.

Lakshmi Narsimhan, CFO of Magma Fincorp, concurs with Kanoria's observations. "The customers that NBFCs serve have to deal with erratic cash flows. It would have been better had the RBI followed the Nachiket Mor committee recommendations to classify NPAs based on underlying risks," Narsimhan added.

When an asset is classified as non-performing, Banks and NBFCs have to provide for the same. However, Banks get some tax concessions on such provisions which have not been extended to NBFCs yet. "Such half-baked framework will kill the sector," SREI's Kanoria added.

According to ratings agency Crisil, the rule change will "slice around 40 basis points" of NBFCs' profitability over the next four years till March 31, 2018, as their provisioning will increase.

The RBI has also increased the Tier-I capital requirements for NBFCs from the current 7.5 per cent to 10 per cent. While most NBFCs already comply with this requirement, they have a grouse against the risk-weights for the same assets being different for Banks and NBFCs.

The risk-weights for the same assets should be aligned for Banks and NBFCs, Narsimhan added. According to ICRA, "Increasing the Tier-I capital for NBFCs while not aligning (reducing) the risk weights with what is allowed to Banks would reduce the NBFCs' leveraging capacity vis-à-vis Banks".

**Source - The Hindu Business Line, November 12, 2014**

### **RURAL BANKING TURNING INTO A PROFITABLE ENTERPRISE: CRISIL**

In a classic example of adversity turning into opportunity, rural Banking, which till now was shunned by Banks citing unfavourable economics, is gradually becoming a gainful pursuit.

"Increasing economies of scale (with higher business per branch) and usage of low-cost channels such as business correspondents (BCs) will help public sector lenders, who are currently incurring losses in their rural operations, to turn in profits over a five-year timeframe," according to a report by Crisil Research. As for private Banks, rural operations are mildly profitable already, generating a tenth of their overall returns, and the situation will get even better.



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"In the last five years, business per branch in rural areas has grown at a compounded annual growth rate of 7 per cent, despite the overall branch network growing at 9 per cent annually. The economies of scale are set to increase further in the years to come.

"A case in point is the recently launched Pradhan Mantri Jan Dhan Yojana," the report said. While this poses challenges for Banks in the short term, in the longer term, it would augment business per branch.

Banks are also bringing down operating expenditure and expanding rural reach by experimenting with smaller branches and increasingly using BCs. Going forward, more such models are expected to be adopted by leveraging technology.

Prasad Koparkar, Senior Director – Industry & Customised Research, Crisil Research, said, "Improvement in technology and favourable regulations have made it possible for Banks to service their rural customers through business correspondents at about a fifteenth of the cost of a rural brick and mortar branch, which is about Rs. 100-110 per transaction. We expect 25-30 per cent of liability-side transactions in rural areas to be routed through BCs by 2018-19, up from 8-13 per cent currently".

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According to the report, rising scale and reduction in costs will drive down the opex ratio — or operating expenditure as a proportion of average funds deployed — of the rural branches of lenders, which is as high as 1.6-2 times that of non-rural branches, to 1.3-1.4 times by 2018-19.

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Ajay Srinivasan, Director, Industry Research, Crisil Research, said, "We see the rural business of PSBs turning around by the end of 2018-19, with return on assets (RoAs) turning a positive 0.3-0.4 per cent because of lower operating expenses and better asset quality".

According to the report, rising scale and reduction in costs will drive down the opex ratio — or operating expenditure as a proportion of average funds deployed — of the rural branches of lenders, which is as high as 1.6-2 times that of non-rural branches, to 1.3-1.4 times by 2018-19. Ajay Srinivasan, Director, Industry Research, Crisil Research, said, "We see the rural business of PSBs turning around by the end of 2018-19, with return on assets (RoAs) turning a positive 0.3-0.4 per cent because of lower operating expenses and better asset quality".

**Source - The Hindu Business Line, November 19, 2014**

### **NOW, BANK TERM DEPOSITS OF UP TO RS. 1.5 LAKH ELIGIBLE FOR BREAKS**

This fiscal, you can deposit Rs. 1.5 lakh in a Bank term deposit and get income-tax benefits on it. This follows the Finance Ministry notifying a higher limit under Bank term deposits for drawing income-tax benefit, as announced in the Union Budget. The new notification is effective from November 13.

For the current fiscal, one can now deposit Rs. 1.5 lakh against Rs. 1 lakh in a Bank deposit to get tax benefits under Section 80C of the Income-Tax Act. For instance, if up to Rs. 1.5 lakh is put in a five-year term deposit, the amount will be deducted from income before calculation of personal income-tax.

In this year's Budget, Finance Minister Arun Jaitley had announced enhancing of the tax investment limit under Section 80C to Rs. 1.50 lakh to boost domestic investment in long-term savings.

Under Section 80C, one can invest in, apart from Bank deposits, instruments such as five-year National Savings Certificates (NSCs), Public Provident Fund (PPF), life insurance policies, equity-linked savings scheme (ELSS), contributions to the Employees Provident Fund.

The enhanced limit also includes principal repayment toward home loans. Since PPF is an independent scheme and has different features, the Government issued a separate notification on August 19, followed by the latest separate notification for Bank term deposit.

Interestingly, ELSS has a lock-in period of three years, whereas a Bank term deposit can be of five years for tax saving purpose. Also, though the returns are better, ELSS is riskier as it is affected by stock market volatility. But one positive about ELSS is that these do not attract tax. ELSS is like PPF where investors get EEE (exempt-exempt-exempt) benefit, which means no tax at the time of investing the money on accumulation and on withdrawal. Yet, Bank deposits have one advantage — stable and assured returns.

The new notification has been issued under Bank Term Deposit Scheme 2006, under which, a deposit can be transferred from one branch of a Bank to any other branch of the same Bank, but not to another Bank. Unlike a life insurance policy and NSC, the deposits cannot be pledged to get loan. Also, there is no provision for premature encashment.

The deposit holder will have the facility to get interests either in lump sum or every quarter/month. However, interest will be liable to tax deduction at source (TDS). Banks, such as State Bank of India, have already launched tax-saving term deposits.

**Source - The Hindu Business Line, November 18<sup>th</sup>, 2014**

### **IBA GETTING STUDENTS ON THE BANKING BANDWAGON**

Indian Banks' Association (IBA), the self-regulatory body of Banks in the country, has drawn up a plan for Banks to catch their customers young.

In association with Child & Youth Finance International (CYFI), IBA has launched an initiative whereby every Bank branch in the country will adopt a school in its vicinity to open accounts and impart financial education.

This move aims to transform school students into future economic citizens, the association said in a statement.

The plan to open accounts for children comes even as Banks are in the midst of an aggressive financial inclusion drive under the Pradhan Mantri Jan Dhan Yojana (PMJDY) to open accounts for individuals from weaker and low-income segments.

The Banking system has been set a target of opening 7.50 crore basic savings Bank deposit accounts by January 26, 2015, under PMJDY.

Over the last few years, the Reserve Bank of India too has undertaken a financial literacy drive, whereby it disseminates information regarding its functioning as well as general Banking concepts to various target groups, including school- and college-going children, women, rural and urban poor.

In fact, the central Bank has brought out eight comic books, including Raju and the Money Tree and Money Kumar and the Monetary Policy, for school children as part of its financial literacy programme.

IBA was formed in 1946 to promote and develop sound and progressive Banking principles, practices and conventions and to contribute to the developments of creative Banking in India. It has 131 ordinary and 58 associate members. CYFI, an organisation registered in Amsterdam and supported by the United Nations, leads the world's largest movement dedicated to enhancing the financial capabilities of children and youth.

Launched in April 2012, the movement has already spread over 100 countries and has reached more than 18 million children. Every year in March, the CYFI celebrates Global Money Week, a worldwide celebration to empower the next generation to become confident, responsible and skilled economic citizens.

**Source - The Hindu Business Line, November 18<sup>th</sup>, 2014**

### **BAD LOANS CONTINUE TO WEIGH ON BANKS IN SECOND QUARTER**

Mumbai, November 10 Even as Prime Minister, Narendra Modi's achhe din promise has boosted sentiments in the economy, Banks are struggling with a rise in bad loans in the second quarter ending 30<sup>th</sup> September.

Asset quality pressure during the quarter has led Banks to make higher provisions, setting aside more money towards non-performing assets, thereby impacting their profitability. Among the big public sector Banks, Bank of Baroda and Bank of India announced deterioration in bad loans in the July-September period and forecast further worsening in asset quality in the current fiscal.

The country's largest lender State Bank of India, which is due to announce results on Friday, is also likely to see bad loans rising.

According to P. Srinivas, Executive Director, Bank of Baroda (second largest public Bank), "Some positive signs in Q1 could not be sustained in Q2 ... Real sector indicators showed signs of weakness partly due to domestic and partly global economic concerns".

Bank of India said it saw major restructuring in the troubled sectors, namely, infrastructure, engineering and power.

With economic growth falling below 5 per cent, bad loans for Banks have jumped to more than 4 per cent of their total assets this year from 2.4 per cent in 2011. In addition, credit growth has fallen to its lowest in more than a decade.

Bank of India chief VR Iyer said, "We have not witnessed any up-tick in credit demand from large corporates ... It will take a year or so for the government measures to have an impact on the Banking and financial sector." According to ICICI Bank's MD and CEO, Chanda Kochhar, "Only after cash flows (in companies' balance sheet) become robust, we will see recovery (in asset quality) ... Real pick up of demand for fresh project loans will take a couple of quarters".

Currently, India's Banking sector is sitting on around Rs. 6-lakh crore worth of stressed loans (both NPAs and restructured) — or nearly 10 per cent of the total advances, according to estimates by India Ratings and Research.

It also expects Banks to restructure loans worth Rs. 60,000 crore to Rs. 1-lakh crore in the next five months, as the RBI has mandated that after April 2015 Banks must treat all restructured standard advances as NPAs and make provisions accordingly.

**Source - The Hindu Business Line, November 11<sup>th</sup>, 2014**



## **AIRRBOF NEWS LETTER**

Registered with RNI, New Delhi,  
Regn. No. 4L/RV/TO/93  
Postal Regn. No. WB/DE/007/2009-2011

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**Edited & Published by  
Shri S.K. Bhattacharjee on behalf of AIRRBOF.**