MARCH, 2014

AIRRBOF News Letter

Sky is not the limit, we cover it...

The Voice of All India RRB Officers' Federation

Vol - XXI SILIGURI No. 03

EDITORIAL

AVERTING A FISCAL WRECK

Like in 2012-13 when the Centre's fiscal deficit was kept below 5 per cent of GDP, it is a reduction in plan expenditure that has helped Finance Minister P Chidambaram achieve his fiscal target this year. Containing the deficit to 4.6 per cent in 2013-14 is a result of the combination of cuts and savings from the low utilisation of allocated funds. The Centre's total plan spending this year according to the revised estimates is expected to be Rs. 79,790 crore lower than the budgeted amount. It was a whopping Rs. 1,07,400 crore below the Budget Estimate in the previous fiscal. It is such compression, as well as the rolling over of Rs. 35,000 crore of fuel subsidy payments to the next fiscal and making state-owned enterprises cough up some Rs. 14,300 crore of more-than-budgeted dividends, that has enabled the fiscal deficit to be contained below Chidambaram's "red line" of 4.8 per cent.

But did the Finance Minister have an alternative in a scenario where the Centre's gross tax revenues and mop-up from disinvestment are slated to fall short of Budget Estimates by almost Rs. 1,07,000 crore? The easy thing would have been to blame these on the slowdown and merrily overshoot deficit targets. Thankfully, Chidambaram hasn't succumbed to this temptation. Having gone completely out of control in the first three years of the UPA's second term in office, the fiscal deficit needed to be reined in at any cost. Chidambaram should be given credit for restoring discipline over the last two years, even if not achieved by the best of routes. Cutting Plan spending isn't desirable in the midst of a slowdown, but the cost of not adhering to fiscal targets and the negative perception it could trigger among global investors in these difficult times for emerging economies is far worse. Moreover, by steering the economy back on the path of fiscal consolidation, the Finance Minister has created some elbow room for the RBI to cut interest rates. Easing inflationary pressures and a stable rupee makes this more feasible. Lower interest rates — in tandem with the excise duty reductions on automobiles, two-wheelers and a host of capital goods and consumer non-durables effective till June announced in the interim Budget — can provide a much-needed boost to investor and consumer sentiment.

Going forward though, both growth as well as fiscal consolidation requires more enduring policy interventions from the next government, whichever party leads it. Most important among these are introducing a nationwide goods and services tax (GST) and replacing all subsidies with direct cash transfers (DCT) to the Aadhaar-linked bank accounts of those deserving such support. By generating greater revenue buoyancy and cutting wasteful non-Plan expenditure — which is what GST and DCT will do — more public resources will be released for highways, railways, irrigation and other productive infrastructure investment. The economy-wide stimulus from this will bring more revenue for the government, resulting in a virtuous cycle of higher growth and fiscal consolidation.

ENRICH YOUR KNOWLEDGE

BHARATIYA MAHILA BANK

Bharatiya Mahila Bank was inaugurated on 19th November, 2013. In budget 2013-14, the Finance Minister had announced setting up of all-women Bank. Salient features of the Bank are given below:

1. Ownership: It will be India's first ever state-owned women's bank. The Bank will be wholly owned by the Government.

2. Capital: The Bank's initial paid up capital consists of Rs. 1000 crores.

3. Head Office: The Head Office of the Bank will be in Delhi.

4. Objective: It is an acknowledged fact that access to finance and banking not only helps empower women but also broadens the social base of development, thus fostering equitable growth. This is an area in which India lags far behind. The women in India have minimal access to finance and financial products. According to a study by the World Bank, in India, only 26% of women have an account with a formal financial institution, compared with 46% of men. Also, for women, per capita credit is SO per cent lower than males. Further, the results of a study using a global dataset covering 350 Microfinance Institutions (MFIs) in 70 countries indicates that more women clients is associated with lower portfolio-at-risk, lower write-offs, and lower credit loss provisions, ceteris paribus. Therefore, one of the key objectives of the Bank is focus on the banking needs of women and promote economic empowerment through women's growth and developments. The bank has been established for financial inclusion of women and providing them equal and easy access of financial services.

5. The bank's approach will be to inspire people with entrepreneurial skills. The bank will tie up with NGOs and will also locally mobilize women to train them in vocations. The bank will promote asset ownership amongst women customers. Studies have shown that asset ownership amongst women reduces their risk of suffering from domestic violence.

6. Customers: Even though both men and women could open accounts with the bank, for loans there will be a positive bias towards women and lending will be predominantly for women. It will lend mostly to women or to businesses which are either managed by or make products for women. One of the gender-related issues that the bank aims to address is the need for collateral when the title to property is not in the name of the woman borrower. In such cases, the owner of the property can become the co-borrower.

7. The bank will also place emphasis on funding for skills developments to help in economic activity. Moreover, the products will be designed in a manner to give a slight concession on lean rates to women. The bank will serve as a catalyst for greater gender equality and gender justice. It will particularly benefit women from the less privileged sections of our society.

8. Key Management: Initially the bank will have a board of directors consisting of eight women. Usha Ananthasubramanian will be the first chairperson of the Bharatiya Mahila Bank. The board consists of a business graduate sarpanch from Rajasthan, Chhavi Rajawat, Dalit entrepreneur Kalpana Saroj, who is CEO of Kamani Tubes Ltd; Nupur Mitra ex-CMD of Dena Bank, academic Pakiza Samad, Renuka Ramnath, ex-MD and Chief Executive Officer (CEO) of ICICI Venture; Godrej Group Executive Director Tanya Dubash and Priya Kumar, a Govt. nominee.

9. Staff: It will be taken as per requirements. The fact that it will be run largely by women will serve as an example that given the opportunity, women are capable of taking on challenging tasks.

10. Initially, interest rate on saving bank will be 4.5% for deposits up to Rs. l lakh and 5% for above Rs 1 lakh to encourage more savings.

11. Branches: First branch of the bank has been opened in Air India building at Nariman Point in Mumbai. Currently, all the seven branches of the bank are in urban centres — Kolkata, Mumbai, Lucknow, Guwahati, Chennai, Bangalore and Ahmedabad. The bank proposes to have 25 branches by March 31, 2014. The bank is expected to have a branch in every state capital by March 2014 and the bank will expand to 500 branches by the fourth year of operation. It will focus on centres where

working women population is significant. The government has asked RBI to provide regulatory forbearance on opening of branches in rural areas in the first year.

12. It is a universal bank. It will provide all services that a normal bank offers. According to the bank's business plan, the bank envisages a business mix (deposits plus advances) of Rs. 60,000 crore with 771 branches by 2020.

13. The bank is likely to break-even in the next "three to five years". The bank will be listed but only after it has reached a critical mass.

14. Products: The bank will launch products suited for women. It has launched education loans of up to Rs 10 lakh for girls with no processing charges. The bank introduced "kitchen loans". Women can borrow loans to redo their kitchen space, the place where most women spend most of their time. The loan can be availed for Rs 50,000-700.000 at 2.5% above the bank's base rate. Other special products include loans for setting up catering services and hygienic day-care centres for children of working women.

15. For its success, employees should be kind and supportive to young girls, show extra compassion for the poor and under-privileged who are among those that banking sector has left untouched

Courtesy – Latest Banking & Financial Awareness: December, 2013

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 12:2014 3rd February 2014

FELICITATION EXTENDED TO COM. B.P. SINGH, PRESIDENT ON HIS RETIREMENT FROM BANK'S SERVICE

Com. Bhanu Pratap Singh, former General Secretary, Gramin Bank of Aryavart Officers' Association and the current President of AIRRBOF was extended warm felicitation in an extended Meeting of the Association at the Banquet Hall of Hotel Bandhan, Lucknow on 2nd February, 2014.

Large number of members, officers and employees of the Gramin Bank of Aryavart, Bank of India and other Banks attended. The dias was adorned by veteran leaders like Com. A.P. Singh, Com. Y.K. Arora and Com. S.K. Bhattacharjee. The leaders of the affiliate in the form Com. Y.P.S. Bhaduria, President, Com. J.K. Singh, General Secretary and Com. V.S. Chauhan former General Secretary also remained seated on the dias.

Overwhelming number of officers and employees spoke eloquently about the qualities of leadership and camaraderie expressed by Com. B.P. Singh.

The leaders also spoke highly of the leadership attributes of Com. B.P., his traits and his instinct to assume the leadership role.

Com. Bhanu Pratap Singh was felicitated by bouquets, garlands and mementos. Memorandum of felicitation highlighting the different facets of Com. B.P. was readout by Com. V.S. Chauhan. Com. B.P. Singh profusely thanked the audience and expressed his deep sense of gratitude and love for all the Comrades.

The function ended most successfully with high enthusiasm.

Circular # 13:2014 10th February 2014

56TH MEETING OF AIRRBOF HELD IN NEW DELHI
ON 10TH FEBRUARY, 2014 – IMPORTANT DECISIONS TAKEN

The Central Committee of All India RRB Officers' Federation held its 56th session in New Delhi on 10th February, 2014. Lot of issues was discussed and decisions taken. We advise the decisions as under:

(i) In view of superannuation on retirement from Bank's Service by Com. B.P. Singh he relinquished the post of President of AIRRBOF. Com. B.P. Singh was co-opted as Chairman of AIRRBOF.

(ii) Com. R.G. Makhija, General Secretary, Vidharva Konkan Gramin Bank Officers' Association and Jt. General Secretary of AIRRBOF have been co-opted as President in place of Com. B.P. Singh.

(iii) Com. Srijan Pal, General Secretary, Association of Officers' of Paschimbanga Gramin Bank and Dy. General Secretary have been co-opted as Jt. General Secretary.

(iv) Com. B.L. Khandelwal, General Secretary, Malwa Jhabua Gramin Bank Officers' Association have been co-opted as Jt. General Secretary.

(v) Com. V. S. Chauhan of Gramin Bank of Aryavart Officers' Association have been co-opted as Secretary.

(vi) Com. J.K. Singh, General Secretary, Gramin Bank of Aryavart Officers' Association co-opted as Central Committee Members, Com. K.L. Ashk of Malwa Jhabua Gramin Bank Officers' Association co-opted as Central Committee Members.

It was decided to take up issues identified by the Central Committee with Govt. of India/NABARD.

It was decided that the 10th Triennial Conference of AIRRBOF shall be held at Nagpur/Chandrapur on 24th & 25th January, 2015.

Circular # 14:2014 11th February 2014

ISSUES TAKEN UP WITH GOVT. OF INDIA, DEPT. OF FINANCIAL SERVICES

In accordance with the decision of the 56th Meeting of the Central Committee held in New Delhi on 10th February, 2014 certain HR Issues have been identified for taking up with Govt. of India. Accordingly the matter was taken up with Secretary, Dept. of Financial Services, Govt. of India. We reproduce the letter no. 2022:08:2014 dated 11th February, 2014 issued by AIRRBOF in this regard:

"We would like to inform that the 56th session of the Central Committee of AIRRBOF held its meeting in New Delhi on 10th February, 2014.

The Central Committee unanimously resolved to take up the following issues with Govt. of India, Dept. of Financial Services.

(i) The eligibility criteria for promotion to higher cadre for a direct recruit officer are 3 year while that for a officer on promotion is 5 years. The discrimination should end further. Both direct recruit and promotees officers should have same length of service of 3 years as eligibility criteria.
(ii) The relaxation of length of service for promotion in RRBs should be in line of that obtaining in Sponsor Bank. The matter was discussed in the Meeting of the HR Committee also. Immediate instruction should be issued to all RRBs to adopt the same system as prevalent in Sponsor Banks.
(iii) Officers who had retired from service are eligible to receive reimbursement of Hospitalisation Expenses in Public Sector Banks. The same facility should be extended in RRBs.

(iv) SC/ST Employees' Welfare Forum are in Existence in all RRBs. However, no rules have framed as to their status, position and legitimacy. Govt. of India should review the position and advise all RRBs to clarify the status, facilities and eligibility of such SC/ST Employees' Welfare Forum.
We urge upon you to resolve the issues at the earliest".
We shall post you with up to date development in this regard.

Circular # 15:2014 12th February 2014

AIRRBOF DELEGATION MET GOI,
MFS OFFICIALS ON 11TH FEBRUARY, 2014

A delegation of office bearers of AIRRBOF held bipartite Meeting with officials of Dept. of Financial Services, Govt. of India in New Delhi on 11thFebruary, 2014 afternoon.

Dept. of Financial Services was represented by Shri A.K. Dogra, Dy. Secretary (RRBs) and Shri S.C. Arya, Sr. Research Officer. Federation was represented by Com. B.P. Singh, Chairman, Com. R.G. Makhija, President, Com. S.K. Bhattacharjee, General Secretary, Com. K.M. Shukla, Jt. General Secretary and Com. S. Pal, Jt. General Secretary.

Several issues were discussed. It was clarified by the Dy. Secretary that the Report on Human Resources have been received from NABARD and the Dept. had almost finalised the matter and shall issue circular shortly. The issues referred to by our Federation earlier shall be taken care in the circular.

We harped on the point that the JCC Constituted at NABARD Level had not conducted any Meeting for the last three years. In the process the Forum had been ineffective. We demanded that the JCC forum shall be revived forthwith.

We demanded that retired officers of RRBs should be reimbursed the Medical benefit as available in Sponsor Banks. Dy. Secretary assured that the issue shall be properly examined and discussion taken.

We raised the issues of (i) relaxation of eligibility criteria for officers for promotion, (ii) introduction of all other allowances at par and (iii) proper HR Policies at RRB Level.

In regard to other allowances & benefits it had been clarified that a decision shall be taken only after the next Salary Revision. However, it was confirmed that other issues raised by us shall be covered by circular on Human Resources.

The discussion remained fruitful.

Circular # 16:2014 13th February 2014

IBA DEFERS THE MEETING ON
CHARTER OF DEMANDS SCHEDULED ON 13/02/2014
COMMUNICATION SENT BY UFBU TO INDIAN BANKS ASSOCIATION

We reproduce hereunder the text of All India Bank Officers' Conference Circular No. 18, dated 12th February, 2014.

"We wish to inform you that IBA has sent a communication to UFBU advising that the meeting fixed for 13/02/2014 for discussions on Charter of Demands has been postponed. The Convenor of the U.F.B.U. has sent a communication to The Chief Executive of the IBA on this issue. The text of the communication is reproduced hereunder for your information:

"The Chief Executive,
Indian Banks' Association,
World Trade Centre Complex,
Centre 1, 6th Floor, Cuffe Parade,
Mumbai – 400005

Dear Sir,

Deferment of the Meeting
On Charter of Demands Scheduled On 13.02.2014

This has reference to your Letter No. HR&IR/UFBU/XBPS-4/8844 dated the 10th February 2014 informing us about the postponement of the meeting originally scheduled on 13.02.2014 without stating about the next date of meeting. It is being reported in the media that the meeting might have been deferred as a consequence to the Two Days' Strike, which we hope is not true.

We, therefore, request you to advise us the exact reasons for postponement of the meeting and the date of next meeting. As the UFBU is going to meet shortly, this aspect is bound to be an important part of deliberation for deciding the future course of action.

Please treat the matter as **EXTREMELY URGENT.**

Yours sincerely,
(M.V. MURALI)CONVENOR**"**

Meanwhile U.F.B.U. is meeting on 19th February, 2014 at Mumbai to take stock of the situation and decide its further course of action. We shall keep you posted with the developments in this regard"**.**

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BANKING NEWS:

SUMIT BOSE IS NEW FINANCIAL SECRETARY

Sumit Bose has been designated as the new Financial Secretary. He will continue to hold the post of Revenue Secretary.

HARSH BHANWALA IS NEW NABARD CHAIRMAN

The Center has appointed Harsh Kumar Bhanwala as Chairman of the National Bank of Agriculture and Rural Development (Nabard). Prior to this appointment, Bhanwala was an Executive Director at India Infrastructure Financial Company ltd (IIFCL), a state-owned infrastructure lender. Bhanwala succeeds Prakash Bakshi, who retired as Nabard Chairman in September.

C.V.R. RAJENDRAN APPOINTED CMD OF ANDHRA BANK

Prior to this elevation, Rajendran was executive director at Bank of Maharashtra.

ARUN TIWARI NEW CMD OF UNION BANK

The union Government has appointed Arun Tiwari as Chairman and Managing Director of Union Bank of India. Prior to this elevation, Tiwari was an Executive director at Allahabad Bank.

PRADEEP KUMAR IS NEW MD OF SBI

P. Pradeep Kumar has been appointed by the Government as Managing Director of state Bank of India. Prior to his elevation, kumar was the Deputy Managing Director and Group Executive of the Corporate Banking group in India's largest bank.

SME VARSITY TO COME UP IN HYDERABAD

A national small and medium Enterprise (SEM) University will be soon set up at Hyderabad. Another technical training institute was also being set up in Vishakhapatnam at an investment of over 150 crore.

SIDHART BIRLA IS NEW FICCI PRESIDENT

Sidhart Birla was elected was President, FICCI, after the industry chamber's 86th Annual Meeting.

MISUSE OF BANK GUARANTEES, LETTERS, OF CREDIT ON THE RISE

Due to rising incident of frauds, bank are not in favour of issuing non-funds based facilities, such as bank guarantees and letters of credit, to non-customers.

LOK SABHA PASSES LANDMARK LOKPAL BILL

The Parliament on 18th Dec passed the Lokpal bill, paving the way for the setting up of anti-corruption watchdogs at the Central and state level. The Bill was passed by lok Sabha on 18th Dec and by Rajya Sabha on 17th Dec. Highlights of the bill included – (a) The Lokpal will consist of a chairperson and a maximum of eight members, of whom half will be judicial members; (b) Fifty per cent of the lokpal members shall be SC/ST/OBC minority and women ; (c) The chair person and members will be chosen by selection committee consisting of the Prime Minister, speaker of the Lok sabha Leaders of the opposition in the Lok Sabha, Chief Justice of India or a sitting Supreme Court judge nominated by the CJI, and an eminent jurist to be nominated by the President of India on the basis of recommendation of the first four members of the selection committee; (d) The jurisdiction will include all categories of public servant and incorporate provision for attachment and confiscation of property acquired by corrupt means, even while prosecution is pending; (e) Setting up of lokayuktas through enactment of law by the State Legislature within 365 days from the date of commencement of the Act.

GOVT. OFFERS MORE CONCESSONS UNDER RURAL JOBS SCHEME

Union Minister for rural development Jairam Ramesh has announced that – (a) every job card holder MNREGA, will be entitled to Rs 10,000 to build an individual toilet; at present, a job card holder can avail Rs 4,500 to built a toilet; the Center will provide assistance for the constructions of buildings for women self-help federation; M. Narega scheme will be converged with the Indira Awas Yojana and other housing schemes for the poor; (d) to allow the building of the community storage facilities for agriculture produce in gram panchayats to link the MGNREGS with the Food Security Scheme; (e) if wages ar delayed beyond 15 days, compensation at 0.05 per cent of wage per day of delay will be paid and this amount will be deducted from the salary of the responsible personnel.

PUBLIC SECTOR BANKS MAY HAVE TO SET UP INSURANCE BROKING ARMS BY FEBRUARY

At present, banks are allowed to tie up with only one insurance company and sell products of only that insure under the corporate agency (banc assurance) channel. According to financial Service Secretary Rajiv Takur, all insurance products should be available through the one- lakh- plus bank branches. According to the guidelines finalized by the insurance regulatory and development authority, as brokers, banks will have to cap business from their own group companies will have to cap business from their own group companies at 25 per cent for life insurance and similar cap for non- life insurance business. Most major public sector and privet sector banks, such as state bank of india, Union Bank of India, Bank of Baroda, Canara bank, Bank of India, Punjab national bank, Andhra Bank, ICICI bank and IDBI Bank, have Promoted insurance companies. Most banks are not in favor of banking as many of them had promoted insurance companies. Also, they will have fiduciary responsibility towards the customer while selling insurance products under the banking regulation.

MAHILA BANK MILLS CHILDCARE ALLOWANCE FOR WOMEN STAFF

The Bharatiya Mahila Bank is planning to give childcare allowance to its women employees. The proposed move is aimed at attracting and retaining talent, especially women employees in the junior management grade (entry level officer) and middle management grade (officers of the rank of Manager and Senior Manager) in India's first women's bank in the public sector.

M.V TANKSALE IS IBA'S NEW CHIEF EXICUTIVE

M.V Tanksale, former Chairman and Managing Director of Central Bank of India, has taken over as Chief Executive of the Indian Banks' Association.

SBI ASKS OFFICERS TO MEET LOAN-SEEKERS ONLY AT BRANCH

To ensure that the dealings of its officers are more transparent, State Bank of India has asked them not to meet the borrowers, existing as well as prospective, at any location other than the branch. An officer should hold meetings and meeting at the residence of either the officer or the borrower should be avoided. Further, talks between the bank staff and the limit/ one-time compromise settlement of loan gone sour, should ideally be video recorded. The emphasis on transparency in officers' dealing with borrowers comes in the wake of Central Bureau of Investigation recently registering a case against SBI, Deputy Managing Director, Shyamal Acharya, Chairman of a New Delhi-based private company and others in an alleged bribery case.

SOURCE: LATEST BANKING &FINANCIAL AWERNESS: JANUARY 2014.

PERIODICITY OF PAYMENT OF INTEREST ON RUPEE SAVING/TERM DEPOSITES

As per extant guidelines on 'Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO), non-resident Special Rupee (NRSR) and Non- Resident (External) (NRE) accounts', bank are allowed to pay interests on savings and term

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deposits at quarterly or longer rests. As banks are functioning on core banking platform, RBI has allowed banks the option to pay interest on Rupee savings and term deposits at intervals shorter than quarterly intervals. These instructions are applicable to domestic Rupee deposits including Ordinary Non- Resident (NRO) and Non-Resident (External) (NRE) savings and term deposits. However, in case of FCNR(b) deposits, interest can be paid at the interval of 180 days.

SOURCE: LATEST BANKING &FINANCIAL AWERNESS: DECEMBER 2013.

PRESS CORNER:

UNIONS WANT BANK TO GO SLOW ON ATM EXPANSION

Bank Trade Union want banks to go slow on ATM network expansion and encourage customers to return to bank branches for transitions and use the ATM sparingly. This, according to them, is good for the customers, employees and banks' bottom lines.

"The current furious explanting of the ATM network is not good for the banking industry's health", says M. V. Murali, Convener of the United Forum of Bank Unions, which is a collective of nine major all India bank trade unions. "ATMs enormously increase the cost of operation of banks, particularly in view of the demand for mandatory 24-hour security at ATMs following the attack on a woman at a Bangalore ATM a few months ago."

Murali's comments come in the wake of Indian Banks' Association suggesting banks to charge customer for using ATMs beyond a certain number of free transactions. Murali said the banks were indiscriminately opening ATMs even where people were mostly illiterate. Outsourcing of ATM service, through the 'white label ATMs', was a wrong step as it would lead to exploiting literate customers and breed corruption and malpractices. He said management were dumping quotas on bank branches to increase mobile and internet banking accounts.

"Banking has lost the human touch", Murali added. Customers no longer felt a sense of belonging to their banks and the employees were also losing touch with their customers as interactions were shrinking.

SOURCE: THE HINDU BUSINESS LINE, JANUARY 18, 2014

BANK UNIONS DEFER JAN 20-21 STRIKE PLAN

The two-day all India bank strike called by the United Forum of Bank Unions (UFBU) on January 20-21 was deferred following the Indian Banks' Association (IBA) improving upon their initial pay hike offer of 5 per cent to 9.5 per cent of 'pay slip cost', C.H. Venkatachalam, General Secretary, All India Bank Employees' Association.

"In view of the IBA coming out with an improved offer on 17th January and agreeing to further discuss the issue on January 27, we have decided to defer the strike," Venkatachalam said.

The revised offer of 9.5 percent notwithstanding, UFBU will on January 27 look forward to further improvement in the IBA offer in the wake of the reasonable demand by the union on account of high inflation in the country, he said.

The bilateral talks between the IBA and the UFBU were held in Mumbai on 17th January at the instance of the Central Chief Labor Commissioner, who held a round of conciliation talks with the two sides on January 13 in New Delhi.

The next round of talks between IBA and UFBU, representative body of nine Bank Unions, will take place in Mumbai on January 27.

Venkatachalam also said the IBA had committed to wrap up the process of wage revision settlement by end June this year.

SOURCE: THE HINDU BUSINESS LINE, JANUARY 18, 2014

MOR PANEL VIEWS AT VARIANCE WITH NABARD MANDATE, SAYS UNION

The Employees' Union of the National Bank or Agriculture and Rural Development has opposed the Nachiket Mor Committee proposal to convert the apex agriculture and Cooperative Bank into a 'commercial entry'.

These recommendations question the basic mandate of NABARD to serve farmers and rural people, said Jose T. Abrahm, President, All India NABARD Employees Association.

The committee on Comprehensive Financial Services for Small Business and Low Income Households, headed by Mor, haws also put forward other contentious proposals.

It has recommended removal of the supervisory and regulatory role of NABARD with regard to Regional Rural Banks and cooperatives, said Abraham.

This makes for a complete makeover of the traditional business profile of NABARD, Abraham said. The Committee has taken exception to the fact that access to various refinance schemes is restricted by institution type rather than activity.

This, in its view, violates the 'neutrality principle" as far as non banking financing companies are concerned.

SOURCE: THE HINDU BUSINESS LINE, JANUARY 16, 2014

NBFCS EXPECTED MORE FROM MOR PANEL

The recommendations of the Nachiket Mor Committee, released by the RBI on January 7 fall short of expectations of leading Non Banking Finance Companies.

NBFCs are a motley lot, though. Included under the same rubric are larger, bulk lenders such as Power Finance Corporation, subsidiaries of Foreign Banks, companies such as Sundrama Finance and Shriram Transport Finance that finance purchase of assets used for business (like trucks), those who lend money against pledge gold and a large number of cubby-hole localized, informal lending companies that give you money, if they know you.

The refrain of NBFCs is that the regulation are too broad-based, not distinguishing their varied characteristics.

Ever since the failures of CRB Capital Markets in 2000, NBFCs seem to think the RBI sees them as companies that raise funds from the public and vanish. The irony is that the amount of public deposits with them is mere Rs 7,000 crore compared with some Rs 40- Lakh crore held by Banks as deposits.

However, the Committee's Report, titled 'Comprehensive Financial Services for Small Business and Low Income Households', observes that NFBCs have "a great deal of continuing value to add". This held out the hope that some path braking recommendations would ensue.

Many NBFCs that Business Line spoke to said that while the recommendation had some positive features – such as allowing them to raise funds from abroad as external commercial borrowings and permitting them to seize the assets of defaulters under the Sarfaesi Act, just as Bank do- some of their biggest and long-standing demands have not been addressed.

They, for instance, have been seeking permission to raise more money from the market for the same amount of 'Own Capital'. Banks need Rs 9 of their own for every Rs 100 they lend; NBFCs need Rs 15.

That is, if a Bank has Rs 9 of its own money, it can borrow Rs 91 from the market to be able to lend Rs 100. An NBFC, on the other hand, can borrow only Rs.85. The Mor Committee wants to retain status quo.

The committee has also rejected the call to bring 'risk weights' of the loans given by NBFCs on a par with those by Banks. A lower 'risk weight' means lesser amount of own funds relative to the quantum of the loan.

Had these two demands been met, NBFCs would have had more funds to lend. NBFCs are surprised that given the mandate of the committee, which is the step up access to formal credit to all, these demands were not met.

Today, most Indians have no means of getting a loan from an institution, which is far cheaper than their only source currently the local moneylender.

The committee itself notes: "close to 90 per cent of small businesses have no links with formal financial institutions and 60 per cent of the rural and urban population do not even have a functional bank account."

NBECs, being the closest to the poor borrowers, claim they are best suited for archiving more 'financial inclusion'. "Those who know financial inclusion the best are being exluded", laments T.T. Srinivasa Raghavan, Managing Director, Sundaram Finance Ltd.

Also the Mor committee wants to tighten the screws on NBFCs when comes to bad loans. For Banks, if a borrower has not paid interest for 90 days, the money lent to him becomes a non-per-forming asset and has to be providing for, which means lower profits.

NBECs could, however, wait until 180 days before having to declare the loan as an NPA. The committee now wants to bring NBFCs on par with banks, though it says both types of insititutions should follow 'risk based approaches', rather than a generic – that is, 'number of days'.

Banks, however, can claim tax benefits for the 'provision for NAP', while NBFCs cannot. The committee is silent on this, presumably because tax issues come under the Finance Ministry.

SOURCE: THE HINDU, BUSINESS LINE, JANUARY 14, 2014

VEGGIE POWER

The Government has found a new way to check inflation- tweak the calculator itself. Wholesale Price Index (WPI, the price of a representative basket of wholesale goods) is used to measure inflation. Currently, WPI skewed in favour of potatoes and onions, which have the highest weight. This means when the prices of these two increases, inflation shoots up. The 200 per cent rise in onion prices last year is among the reasons for the defeat of the Congress party in recent State elections. Not surprisingly, efforts are on to widen the veggie basket for WPI. That will bring down the overall weightage of onions in WPI.

A new index, proposed by Soumitra Chaudhari-led committee will be based on bigger, better veggie basket and include carrot, drumsticks, cucumber and pumpkin as well.

It is an indicator of average price movement over time of a fixed basket of goods and services. Defined as the index comprising all transactions at first point of bulk sale in the domestic market.

- WPI was used for the first time in August 1939. It was calculated for 23 commodities.
- The current series of 2004-05 has 676 items in the commodity basket. Groups included are primary articles- food and non food, fuel and power, and manufactured goods. Vegetables and fruits fall under primary articles.
- The calculation is based on Lasperyer's formula, on the principal of weighted arithmetic mean.
- Japan, Austria, Greece, Norway, Turkey and Ireland are the other countries that use WPI.
- Proposed changes will help define a more representative basket of goods indicative of consumption patterns, reduce price volatility and reduce food inflation.

WPI 2004-05 (Current)

Has 676 items in commodity basket

11 vegetables under Primary Articles

Potato, Onions, sweet potato, cauliflower, brinjal, cabbage, tomato, tapioca, lady's finger, green peas and ginger. Potato has the highest weight.

Current fruit basket consists of 13 fruits- banana, mango, apple, orange, cashew nut, pineapple, guava, papaya, coconut, grapes, litchi, lemon and chikoo. Lemon incidentally was added in 2004-05.

WPI proposed

A tentative basket of 1,132 items proposed

17 vegetables under Primary Articles

New veggies introduced including bitter ground, point ground, carrot, drumsticks, cucumber and pumpkin. Potatoes and onions will continue to have highest weight.

New basket will have 3 more items- pomegranate, sweetlime and gooseberries.

SOURCE: THE HINDU, BUSINESS LINE, JANUARY 25, 2014

SATYA NADELLA IS MICROSOFT CEO

After a five month search, Microsoft Crop named Satya Nadella as Chief Executive Officer, tapping an insider stepped in business technology to speed the turnaround at a software maker that helped usher in the personal computing age only to be left behind as the world shifted towards the Web and mobile devices.

Nadella will replace Steve Ballmer effective immediately, Microsoft said in a statement today.

Bill Gates, the company's first CEO, will step aside as Chairman and devote more time to product development, while remaining on the board and running his philanthropic foundation.

John Thompson, the board member who led the CEO search, becomes Chairman.

The new CEO joined Microsoft in 1992, takes over at a critical juncture. Consumers and businesses are shunning PCs in favour of handheld devices made by rivals, sapping demand for Microsoft's flagship products.

Besides playing catch up to the likes of Apple Inc. and Google Inc., Nadella will be tasked with completing strategy changes,begun by Ballmer last year. That includes integrating the $7.2 billion integration of Nokia Oyj's handset unit and turning Microsoft into a provider of services and hardware. He's really the complete package- he has incredible intellect but he also combines that with a deep curiosity and willingness to learn, said Doug Burgum, who sold business-software developer Great Plains to Microsoft and over saw Nadella while at the Red mond, Washington- based company. While Nadella brings experience running cloud and enterprise business, he will need to boost Microsoft's presence in consumer markets, where rivals have seized the lead.

SOURCE: THE HINDU, BUSINESS LINE, FEBRUARY 5, 2014

RBI COMMITTEE TO REVIEW GOVERNANCE OF BANK BOARDS

The Reserve Bank of India has constituted an expert committee to review the Governance of Bank Boards in India.

The committee will review the regulatory compliance requirements of the board of Directors of Banks, judge what can be rationalized and where requirements need enhancements, examine the work of the boards, including whether adequate time is being devoted to issue of strategy, growth, governance, and risk management, the RBI said in a notification.

The committee will review Ventral Bank Regulatory Guideline on Bank ownership, ownership concentration and representation on the board, analyze the representation to see whether the boards have the appropriate mix of capabilities and necessary independence to govern the institution, and investigate possible conflicts of interest in board representation, including among owner representatives and regulators.

In this regard, it will also asses and review the 'fit and proper' criteria for all category of Directors of Banks ,including tenor of directorship, board compensation guidelines and any other issue relevant to the functioning of the board and the governance the exercise.

The committee is expected to submit its report within three months after its first meeting.

Chaired by P.J Nayak, Former Chairman and CEO of Axis Bank, the committee members include S. Raman, whole-time members, SEBI; Shubhalakshmi Panse, Chairperson and Managing Director , Allahabad Bank; Pratip Kar, former Executive Director, SEBI, and Joydeep Sengupta, Director, McKinsey & Company.

SOURCE: THE HINDU, BUSINESS LINE, JANUARY 21, 2014

BANKS CAN NOW LEND UP TO 75% OF VALUE OF PLEDGED GOLD

The Reserve Bank of India on 20th January allowed banks to lend more against pledged gold jewellery, thereby creating a level-playing field for them vis-à-vis gold loan companies.

This move follows the Central Bank's January 8 announcement that gold loan companies or Non Banking Finance Companies (NBECs) can lend up to 75% of the value of pledged gold jewellery against the earlier 60%.

In a notification, the Central Bank said Banks can lend up to 75% of the value of pledged gold jewellery, including bullet repayment of loans. Bullet repayment refers to the loan being repaid at the end of the tenure instead of installments.

To standardize the valuation and make it more transparent to the borrower, the RBI said gold jewellery accepted as security / collateral will have to be valued at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by the India Bullion and Jewellers Association Ltd (formerly known as Bombay Bullion Association).

If the purity of gold is less than 22 carats, the bank should translate the collateral into 22 carat and value the exact weight of the collateral. In other words, jewellery of lower purity of gold shall be valued proportionately.

By allowing banks and NBFCs to lend more against the pledge of gold jewellery, the Central Bank may be trying to break the shackles of the unorganized sector in the business of lending against gold.

The RBI reiterated that Banks should continue to observe necessary and usual safeguards and also have a suitable policy for lending against gold jewellery with the approval of their Boards of Directors.

In may 2013, the RBI had imposed restrictions, according to which while granting advance against the security of specially minted gold coins sold by banks, they would have to ensure that the weight of the coin(s) does not exceed 50 gm per customer and the amount of loan to any customer against gold ornaments, gold jewellery and gold coins (weighing up to 50 gm) should be within the board approved limit.

The limit of 50 gm is also applicable to grant of advance against units of gold ETFs and gold mutual funds.

SOURCE: THE HINDU, BUSINESS LINE, JANUARY 21, 2014

BANK STAFF CAN CLAIM BENEFITS EVEN ON REMOVAL FROM SERVICE: APEX COURT

The Supreme Court has ruled that a bank employee can claim pension and encashment of leave even when removed from service.

The case pertained to the denial of the claims of late S.K.Kool who was removed from service 'as a measure of punishment' by Bank of Baroda.

In response to a special leave petition by the Bank, Justice Chandramouli Kumar Prasad ruled on December 11 that employee's heirs are entitled to superannuation benefits.

He ordered Bank of Baroda to disburse the entire amount that the respondent is found entitled to along with interest at 6 per cent within six weeks.

He did not find any merit in the Bank's appeal and dismissed it with costs of Rs 50,000 to be paid out along with other dues.

The Bank had argued that where cessation of service takes place on account of employee's resignation or his dismissal / termination, all leaves to his credit lapse.

The matter was initially referred to the Industrial Tribunal which had ruled that the denial of superannuation benefits was not legal or justified.

It said that the employee is entitled to all termination benefits, such as pension, leave encashment, gratuity and commutation of pension.

The Bank contested this and approached the High Court of Allahabad. It did not get relief there either, and moved the special leave petition.

Shilpa Singh, counsel for the employee's heirs, argued that the order of the disciplinary authority inflicting the punishment itself entitled the employee to superannuation benefits.

The Court noted that the bipartite settlement containing terms and conditions of service of employee provides for removal from service with pension benefits 'as would be due otherwise under rules and regulations prevailing at the relevant time'.

"We have no doubt that employees…removed from service in terms of clause 6(b) of the bipartite settlement shall be entitled to superannuation benefits".

SOURCE: THE HINDU, BUSINESS LINE, JANUARY 13, 2014

MICROFINANCE BODY TO SEEK SELF-REGULATORY STATUS

The Microfinance Institutions Network (MFIN), a registered body of leading Non Banking Finance Company Microfinance Institutions, will soon apply to the Reserve Bank of India to be recognized as the first Self Regulatory Organization (SRO) in the industry.

"We have amended some of our bylaws in line with requirements to be recognized as an SRO and will be moving the application to the RBI in about a week," told Alok Prasad, Chief Executive officer of MFIN.

About six weeks ago, the Apex Bank had released the guidelines for self-regulation by MFIs which is an important aspect of the recommendations of the Malegam panel on regulatory reforms in the microfinance sector.

It may be recalled that the committee was set up by the RBI after the Andhra Pradesh microfinance crisis, following allegations of harassment of clients by recovery agents of MFIs. To be recognized as an SRO, an industry body should have independent Directors comprising at least a third of its board, and representation of both small and larger micro-lenders on the governing council. It should also have a compliance officer who is employed and paid by the SRO, but is directly responsible to the RBI.
At extraordinary General Body Meeting held here on 21st January, MFIN members had agreed for changes in the bylaws accordingly, he said. "If we can get the recognition from the RBI, it will be a good leap of faith for the Microfinance Industry which faced many allegations", Prasad said.

On the state of the industry, he said loans outside Andhra Pradesh were growing. "By March 31, 2014, we expect the gross loan portfolio to be about Rs 33,000 crore, which will mean 55per cent growth compared to last year," he said.
This is the first time that micro lenders are expecting growth to surpass the gross loan size of Rs 27,000 crore, which was the peak achieved before the 2010 crisis.

SOURCE: THE HINDU, BUSINESS LINE, JANUARY 23, 2014

ADHERE TO NEFT NORMS, RBI TELLS BANKS

The Reserve Bank of India on 22nd January warned Banks that non-adherence to its instructions on customer service and charges relating to the National Electronic Fund Transfer (NEFT) will be viewed seriously as it brings disrepute to the NEFT system.

The RBI issued this warning as it found that in many cases the officers/staff dealing with the NEFT desk at different branches were not aware of many of the features of NEFT and customers were not guided properly.

Further, as regards the applicable charges for NEFT transactions, it was observed that in many branches the dealing officials/staff were unaware of the actual charges for the service and there was no board or material displaying the relevant charges for customers wanting to remit funds.

It was also observed that some large banks were diverting the walk-in customers/ non-account holders/ non-home branch customers to customer service points/ agents for undertaking such transactions where the customers were being levied charges far higher than those mandated for NEFT transactions.

To remedy the situation, the RBI has asked all banks to educate their staff/ officials about the NEFT process in general and extension of the facility to walk- in customers and customer charges applicable on NEFT.

The RBI has asked banks to ensure that NEFT application forms with proper instructions are made available at all branches.
The extant charges applicable on NEFT transactions should be displayed at all branches/ locations of the Bank where NEFT transactions can be conducted.

A printed "charges card" in appropriate vernacular language should invariably be carried by agents / business correspondents of the Banks.

The RBI wants Banks to ensure that the charges levied on customers for inter-bank NEFT transactions at both branch locations and customer service points/ business correspondents/ agent locations are at par.

SOURCE: THE HINDU, BUSINESS LINE, JANUARY 23, 2014

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