



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

Vol - XXI

AIRRBOF News Letter

October, 2014



**The Voice of All India
RRB Officers' Federation**

SILIGURI

No. 10

EDITORIAL

EVOLVING A GAME PLAN FOR PSU BANKS

The Government and the Reserve Bank of India (RBI) are contemplating how the country's macro-level banking structure should emerge to effectively support India's growing economy. A banking structure that is conducive for increased penetration and inclusion, that supports rural and agricultural development, complements small and large corporates in their domestic and international aspirations, and above all, caters to the growing middle class, is paramount.

A number of questions arise in this context. Will India need few 'super large' banks, which by their sheer size can deliver superior service at the lowest cost to a wide spectrum of customers? Or, should India have a number of small but 'specialised' banks with specific customer or geographic focus, to precisely satisfy their varying needs? Or, should it be a combination of both? Most importantly, how will India's existing banks mould themselves into the chosen structure over the next few years.

The public sector banks (PSB) are major players in the Indian banking industry but continue to 'under perform' private sector peers in terms of profitability and asset quality. Recently, bringing out many issues that are of concern to PSBs, the PJ Nayak committee concluded that PSB boards, comprising government and RBI nominees, is not dedicating enough time to discuss 'strategic' issues while most of their board conversations focus around 'day-to-day' operational issues.

What do we mean by 'strategic issues' which the board should discuss? Although the committee does not elaborate on this, discussions should concern long-term competitiveness; how a bank intends to grow? Who are its customers today, who should be its future customers? Should it focus on a 'niche' customer group and deliver superior service to the chosen segment or will it be a universal bank promising to provide 'everything for everybody'?

In essence, where will it fit into India's emerging banking structure? These questions will lay the foundation of where the bank's focus will be, where will it its resources and what sort of capabilities it needs to build over the long-term in order to be competitive, satisfy the targeted customer needs and provide returns to the shareholders.

These are fundamental strategic issues that will decide the bank's competitiveness in the long run. As representatives of the Government of India, who are the primary shareholders in the PSB, the role of the board is to ensure that the Chairman and Managing Director (CMD) and his executive team are getting these strategic decisions and execution right. Discussing routine operational matters at board level dilutes strategic focus; not that operational issues are unimportant, but can be delegated to an executive team with minimum policy directions laid out at the board level. So, are we saying that the board is responsible for the business strategy in banks? Not at all! The CMD and his executive team are solely responsible; the board's responsibility is, however, to question, understand and guide the bank's executive management team to ensure that the bank's strategy is in the best 'long-term' interest of its shareholders. In fact, this is the very purpose of the board and most of its time should be spent in deliberating such issues.

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Then, what does strategy mean at the bank's executive level? The CMD and his executive team should ensure that every initiative within the bank focuses on building the 'right' capabilities that will allow the bank to serve the 'target' customer better than the competition, at a cost that will provide a reasonable return to its shareholders; in essence, that is strategy.

For this to be achieved, understanding target customer 'pain points' is key. Say, for a bank focused on retail banking, the management needs to understand how the bargaining power of its customer is enormously growing. Banks need to build superior capabilities ahead of the competition, in order to provide a seamless customer experience across all these channels.

This can be achieved by investing in technology which includes data analytics and cloud computing to precisely understand customer requirements and their preferences. This will help the bank develop 'right' products at the 'right' time to meet their exact expectations and could also provides ample scope for cross selling products to the customers. This will not only increase a bank's revenue and share but also ensures that the product development and marketing costs are focused and optimised. With increasing competitive rivalry, every bit counts!

On balance, the board of a PSB should act like a 'sounding board' for a CMD's strategic agenda. But it is the bank's CMD and his executive team that are responsible for its strategy formulation and execution which should lead to effective positioning, superior customer acquisition and retention, growth and eventually creating shareholder value.

Strategic thinking is hence not only important at the banks' senior management level but also across middle and junior management; every initiative taken and every rupee by the bank, across its widespread branches should seamlessly align with its overall short-term and long-term strategy!

ENRICH YOUR KNOWLEDGE:

EPFO GETS MAKEOVER

Three changes for Employees' Provident Fund Organisation (EPFO) were announced, in the recent budget announced by the Finance Minister for the year 2014-2015.

Rise in mandatory wage ceiling:

So far, if the company was covered by the EPF, then it was mandatory to have an Employees' Provident Fund (EPF) account if the income of the employee was up to Rs. 6,500 a month. If earned above Rs. 6,500 per month, it was voluntary. However, now it is mandatory to have EPF accounts if the income is up to Rs. 15000 per month; above this limit EPF becomes a voluntary scheme.

Every month, 12% of the salary of an employee goes into the EPF account and the employer matches the contribution. Of the employer's contribution, 8.33% goes into the Employees' Pension Scheme. Now if the income is above Rs. 15000 per month, one can either opt out of EPF altogether; or restrict contribution of the statutory limit of Rs.15000; or increase contribution. However one can't opt out if he had already opened an EPF account. He can, choose to decrease or increase his contribution up to or more than the statutory limit.

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In case of employers, so far the EPF rules allowed them to restrict their contribution to the statutory limit -12% of ₹6,500. Now that amount will go up to Rs. 15000. However, employers may contribute more by contributing 12% of the salary instead.

Uniform account number:

A universal account number (UAN) will allow provident fund number portability. This means if an employee has a UAN, even if he changes jobs, he will be able to retain his PF account. The plan is to introduce UAN by October this year. It is a step towards easier access to PF accounts. With UAN one need not have to transfer his account anymore. As of now, when one changes the jobs, he has to transfer his PF account.

Minimum Rs. 1000/- per month pension:

All the pensioners who were getting a monthly pension of below Rs. 1000 under Employees Pension Scheme, 1995, will now get a minimum pension of Rs. 1000 per month. "This will come as a relief for retired workers who were low wage earners and were getting pension below Rs. 1000 per month.

For FY14, EPFO declared a rate of interest of 8.75%. EPF is one of the most tax friendly retirement products to have. The contributions qualify for a tax deduction under section 80C. If maintained the account is maintained for five continuous years, the withdrawal is completely tax free. One needn't be in the same organization and under the same EPF account to clock the five years. The second advantage is that its rate of return is at par with other debt products in the market. And increase in the wage ceiling will bring more individuals under the EPFO scheme.

Courtesy : Labour Research, July – August, 2014.

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 46:2014

20th August 2014

**COORDINATION BETWEEN ALL PUBLIC SECTOR
UNDERTAKINGS WORKSHOP ON STATE OF THE ECONOMY**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 58, dated 19th August, 2014.

"Please refer to the discussions held in the last Working Committee Meeting, held on 23rd June, 2014, at Mumbai, in which the members were informed that there is a need for wider unity amongst Officer, Executives, Engineers and Professionals working in Public Sector Banks and other Public Sector Undertakings to oppose the Anti Public Sector, Anti Workforce and Anti people policy of the Government. In this regard, the members were also briefed about the initiatives taken by our Confederation along with AIPEF, NCOA and SNEA/MEA. The joint forum of these organizations decided to hold a two days workshop on the State of Economy at New Delhi on 16th and 17th August, 2014. All the four organizations contributed Rs. 20,000 each for the expenses incurred on holding this workshop and 10 representatives from all the organizations were invited to participate. Following Office Bearers of the Confederation were deputed for the workshop: Com. Y. Sudarshan, Com. Harshavardhan M, Com. Harvinder Singh, Com. Dilip Saha, Com. Manimaran G.V, Com. D. Ghosh, Com. Ananda Kumar, Com. D.S. Punja, Com. S. Roy Choudhary and Com. Paul Mundadan.

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Shri Prabhat Patnaik, a noted Economist and Member of Independent Commission on Banking and Financial Policy appointed by AIBOC under the Chairmanship of Shri S.P. Shukla, Former Secretary, Shri Biswajit Dhar, Professor, JNU, Shri D.G. Patwardhan, CEO, FEDAI, Shri R.K. Upadhyay, Former Chairman, BSNL, Shri Paranjay Guha Thakurtha, a noted Journalist deliberated on the policies of the previous Government with regard to the Public Sector Undertakings and their adverse impacts on the country men. All the speakers were unanimous in their view that the same policies are being pursued, rather more vigorously by the NDA Government. Shri D.G. Patwardhan deliberated on the recommendations of the P.J. Nayak Committee and its implications on the Banking Sector in general and on Public Sector in particular. Perceptions of various sectors were given by Com. K Ashok Rao, Com. Harvinder Singh, Com. G.L. Jogi, Com. V.K. Tomar, Com. Padamjit Singh and Com. Baby Thomas before the invitees delivered their deliberations on that particular sector.

Following issues emerged from the deliberations:

1. That public owned institutions, be they, Banks, Electricity Boards, Telecom units or Public Sector units, have since Independence provided goods and services, at affordable prices, to all sections of the people, even at a sacrifice to the commercial interest of the enterprises.
2. Public owned institutions have been the instruments of policy to, inter-alia, enable mass banking and provide the poor with credit and other financial instruments; to provide electricity and telecommunications to the remotest parts of the country and to sections of people who do not have the purchasing capacity to pay for 'cost to serve'; build the basic infrastructure; provide capital goods and defence equipment; make strategic interventions in commodities markets thus enabling people to gain access to food grains through the public distribution system. To dismantle this, without alternative instrument would be to deny the people of India their basic human rights.
3. That there is a serious danger that the cherished goals of economic independence and self-reliance would be jeopardized.
4. The threat of privatisation looms large. In the name of level playing field, public owned enterprises are being discriminated against and private use of public enterprises has become the rule of the day. **Crony capitalism has ensured the privatization of profits and nationalization of losses**, a policy pursued by the previous Government that is being continued with renewed vigor by the new regime.
5. The rate of growth of GDP is not only to achieve jobless growth, but has been accompanied by increasing disparities of incomes and wealth.
6. That the policies of the Government of India are based on compromises with multinational institutions, foreign and Indian capital and not necessarily based on the welfare and wellbeing of the Indian people, thereby compromising on sovereignty.
7. The Government is squeezing the Public Sector through various instruments like advance dividends, administered prices, social subsidies etc.
8. There is no serious effort to revive loss making units, most of them being either a legacy of the private sector or driven sick due to policies of the Government instead they are left to hemorrhage even further.
9. The political and economic situation in the country is not favourable to the interest of the employees serving public owned enterprises.

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10. Instead of ratifying the basic conventions - the right to association and collective bargaining of the International Labour Organization, retrograde legislation is being introduced that would increase the casualisation of labour and deny the employees social security.

Recognising the above mentioned critical issues being common to the entire public sector, it was agreed that there is a need for organizations to come together and demonstrate their common resolve.

It was therefore, **RESOLVED** to reach to common masses to highlight the issues of national interest by a sustained movement by organising public rallies, through mass media and public domain and through other publicity material and **A MARCH TO PARLIAMENT DURING THE WINTER SESSION OF PARLIAMENT.**

In order to prepare for the march, the following decisive steps shall be taken:

The Officers' Associations of the above four sectors shall form a coordination committee of Officers' Associations of Public Owned Enterprises - at the national and state levels. These Co-ordination committees shall organize training workshops for leader of Officers' and Engineers' associations on the above issues and also organize Joint General Body meetings initially in six cities viz. Mumbai, Hyderabad, Chennai, Bangalore, Kolkata and Chandigarh in three months time.

Comrades, steps have been initiated for a bigger struggle against the policies of the Government who is unmindful of the basic problems of the common masses and is bent upon selling the Public Sector to Private hands. All steps are being ensured to hand over the family silver and future sources of income to exchequer are being blocked. We will have to prepare ourselves without any loss of time and organize the bigger struggle. Recognizing the strength of our Confederation and logistic support available with us, the joint forum has entrusted the job of organizing the Joint General Body Meetings in the above mentioned six cities to AIBOC. We call upon all Central Office Bearers and State Secretaries of these states to immediately start preparations for organising the Joint General Body Meetings. We shall be advising you the names of Office Bearers/Activists from other organizations in these States. We are confident that our Confederation will once again prove that we are capable of undertaking any responsibility entrusted to us for the cause of working class and common masses of our mother land".

Circular # 47:2014

1st September 2014

**REINTRODUCTION OF COMPASSIONATE
APPOINTMENT SCHEME IN RRBs**

We reproduce hereunder the text of the letter written by the Federation on the captioned subject to Shri G.S. Sandhu, Secretary, Department of Financial Services, Govt. of India for your information & necessary action.

"We beg to refer to the communication vide no. D.O.F.No. 18/2/1023-IR dated 7th August, 2014 by the DFS to Indian Banks' Association (IBA) to advise them to introduce Compassionate Appointment Scheme in PSBs. IBA vide circular no. CIR/HR & IR/2014-15/532/476 dated 11th August, 2014 advised all member Banks to implement the compassionate Appointment Scheme in PSBs modeled as per scheme prevalent in Govt. of India. The Compassionate Appointment Scheme in PSBs is going to be implemented very shortly.

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We would like to point out that Regional Rural Banks followed the policy of PSBs in regard to Compassionate Appointment Scheme. The scheme was discontinued in RRBs in line with PSBs. In view of the recent instruction of DFS & IBA to reintroduce Compassionate Appointment Scheme in PSBs, we shall request you to advise RRBs to reintroduce Compassionate Appointment Scheme in line with PSBs.

Your early action is requested".

Circular # 48:2014

4th September 2014

LETTER TO SHRI NARENDRA MODI, PRIME MINISTER

We reproduce below a letter received from the General Secretary, All India Bank Officers' Confederation. All our members are requested to take action as detailed below. Your immediate action is requested.

We feel that after the successful implementation of the first stage of Prime Minister 'Jan-Dhan Yojana', an atmosphere has been built up in favour of Bank employees. Looking into the anxiety of our members (particularly of the new DROs), due to delay in the salary revision, they should be involved actively in realisation of our demands. We have prepared a letter, which can be sent by our officers in their individual capacity to the Prime Minister along with their signatures. The copy of the letter is attached with a request to circulate the same to all your members with a call that they should forward the same thru' their personal mails/ fax/ courier/ to the PM's office. Members can also use the channels of social media like Facebook/Twitter etc.. The addresses etc. of the PMO office are given below:

Address : 7 Race Course Road, New Delhi – 110011

Office Phone : 91-11-23012312

Office Fax : 91-11-23019545 / 91-11-23016857

Email : N/A

Facebook : [facebook.com/PMOIndia](https://www.facebook.com/PMOIndia)

[facebook.com/narendramodi](https://www.facebook.com/narendramodi)

Twitter : twitter.com/PMOIndia

twitter.com/narendramodi

Most respected Hon'ble Prime Minister Ji,

On the onset, I would like to congratulate you in bringing about a turnaround in the functioning of Government within 100 days of your coming to power. This has revived our faith that our hopes and dreams may soon see light of the day with steps taken by you towards better governance. It indeed is a great pleasure and a moment of pride for me as an officer of a Public Sector Bank (PSB) that you have decided to entrust the job of garnering the accounts of unreachable to us when others were attempting to undermine the efficiency of the workforce of Public Sector Banks.

Sensing the commitment of our Hon'ble Prime Minister to eradicate financial untouchability, we the employees/officers of PSBs wholeheartedly and voluntarily plunged into action unminding the holidays and extended working hours with the sole aim of fulfilling the pet project of our Prime Minister.

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We admire the confidence of our Prime Minister on the ability of PSB workforce that he reduced the targeted period to 5 months to open 7.5 crore accounts after our successful accomplishment of opening 1.5 crore accounts in one day. We would also like to add that:

1. It is acknowledged and believed that prime focus of Bank Nationalisation was to bring parity in the society, poverty alleviation by uplifting the rural poor through various welfare schemes introduced and implemented through Nationalised Banks, for which the PSBs have squarely been working for.
2. The workforce of the Nationalised banks also responded befittingly by spreading its presence from 8262 branches with a total business of Rs. 8,245 Crores to more than 1,00,000 branches with total business of Rs. 1,16,89,988 crores since Nationalisation, in every nook and corner of the country, dedicated and devoted their lives in executing Government's initiatives and policies, unmindful of personal comforts, participated whole heartedly in the nation building, thereby, uplifting the downtrodden above poverty line.
3. Against their own policy, the Government has been encouraging private sector to enter into banking business since early 90's. There have been instances of failure of many Private Banks which commenced their business with fanfare, a few transformed into foreign banks and one was taken over by nationalised bank at the cost of nationalised bank's business and profit.
4. Years back in 2008, world witnessed the failure of banking institutions all over and the West was worst hit which brought the top banks to dust. Economic recession was the word substituted for the mismanagement. But Indian banking sector was shining as usual and Indian banks were making huge profits even in that adverse scenario.

Is it not the testimony for the managerial ability of workforce of Indian banking system?

1. Keeping the eyes on the vote bank, debt relief schemes were introduced from time to time, which marred the recovery mechanism in the banking industry and it became a major contributor in NPA building in the rural branches.
2. Governments of the times forced the banks to restructure the advances due to natural calamities and banks did so to revitalise the national economy.
3. When the Govt. wanted the inclusive growth by introducing financial inclusion and ordered to ensure the presence even in remote, the Public Sector Banks responded instantly to bring unbanked corners under banking services at huge expenses. When the govt. wanted to introduce Direct Benefit Transfer (DBT), we readily agreed and accepted to carry out the un-remunerative business unmindful of the costs and labour involved and toiled on Sundays and holidays, in the interest of countrymen.
4. So many self employment training institutes are run by the PSBs for skill development of Indian youth at huge cost out of the income earned. Recently Election education to the public has also been entrusted to the banks in 543 districts. Banks will not hesitate to undertake this responsibility also with their resources and manpower.
5. In order to help the private corporate, CDR was forced on PSU Banks which is a drain on hard earned income of Banks. The income is further drained out in the form of Income tax and forced dividends from profits.

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In the midst of all the above adverse situations forced by the stake holders, controllers and political compulsions, Policies of the Government, Write off of bad debts, Concessions extended by permitting CDR to corporate, work force of the Banking Industry depicted a perfect picture as under:

PERFORMANCE OF PSU BANKS (IN CRORES)

	2011	2012	2013	2014
OPERATING PROFIT	99,981	116,335	121,943	1,27,633
PROVISIONS	55,080	66,821	71,360	90,626
NET PROFIT	44,901	49,514	50,583	37,007

We the proud employees of Public Sector Banks withstand all the pressures of accountability, transferability with all inconveniences, including absence of basic amenities, political pressures in expanding our services and products both horizontally and vertically and have been maintaining more than 70% of the market share of the banking business. The after effect of the Special VRS in 2001 followed by the Government regulation of non-recruitment of the workforce in the banking sector resulted in a situation that around 70% of the workforce is retiring from the banking sector in a span of 5 years (2012-2017). Though the recruitment process in the banking started in the year 2009-2010, the attrition rate is consistently high because the banking sector is not able to retain the talent due to unattractive salary package as compared to Private Sector Banks, other service industries, State/Central Government and Local Bodies.

Incidentally wage revision of the bank employees who are the lowest paid in comparison to peer sector is due since November 2012 and the snail pace at which the Indian Banks' Association is dealing with the matter is causing lot of anxiety, anguish, and frustration amongst all of us. While we once again assure you of our wholehearted involvement in any step/action call given by the Government under your leadership, we request your indulgence in the matter of our wage negotiations as per the Charter of Demand submitted by us on 30th October, 2012, to the Chairman of IBA, delay in which has become a matter of concern for all of us.

I sincerely hope that my communication will be taken in the right spirit and action will be initiated under your able guidance and leadership.

Sincerely yours,
(Name:)

Circular # 49:2014

15th September 2014

GENERAL SECRETARY HOLDS MEETING WITH DFS OFFICIALS ON 11TH SEPTEMBER, 2014

In accordance with the previous programme to hold discussion with GOI, DFS officials, General Secretary reached New Delhi on 11th September, 2014 afternoon.

Meeting was held at DFS, GOI which was represented by Shri Alok Tandon, Jt. Secretary (Ps) and Shri A.K. Dogra, Dy. Secretary, RRB. Our General Secretary raised the following issues:



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(i) INTRODUCTION OF COMPASSIONATE APPOINTMENT SCHEME IN RRB IN LINE WITH THE RECENT INSTRUCTIONS OF DFS TO IBA:

We had already raised the issue by our correspondence to the Secretary, DFs. We demanded that the same scheme styled in line with Central Govt. Scheme should be introduced in RRBs.

Officials told that they are already seized with the matter and would take steps to introduce the scheme in RRBs at the earliest.

(ii) AMENDMENT TO THE PROMOTION RULES TOWARDS RELAXATION OF ELIGIBILITY CRITERIA:

The issue, our General Secretary pointed out, is long pending. It is with the DFS for more than a year. The issue needs to be released early.

Dy. Secretary clarified that certain procedural problems had arisen. He shall personally look into the issue for early release.

(iii) PLACEMENT OF RRB OFFICERS AS GENERAL MANAGERS IN RRBs:

Our General Secretary put forward the demand that RRB officers should be placed as General Managers in RRBs instead of officers from Sponsor Bank as they are quite eligible. In some cases Sponsor Bank officer is junior to RRB officer of same cadre.

Officials clarified that Govt. cannot directly take action in the issue. Let the matter be discussed in the next JCC Meeting scheduled on 24th instant and decision taken.

(iv) CREATION OF WELFARE FUND LIKE PUBLIC SECTOR BANKS:

Our General Secretary pointed out that there are several issues that need to be financially provided to form Staff Welfare Fund. This Fund is created by appropriation a position of profit. The benefit that can be provided is medical benefit to retired officers & employees, provision of Holiday Home and Staff Recreation Facility etc.

It was clarified by the officials that the issue is one of the discussion point of JCC also and appropriate measure shall be taken according to the decision of JCC.

(v) PERFORMANCE OF RRBS – 2013-14:

Our General Secretary shared with the officials the spectacular performance of the RRB in the FY 2013-14. The profitability of RRBs had increased and NPA got reduced. We demanded that officers and employees should be paid incentives for good performance.

Officials pointed out still RRBs need capitalisation and profit is not sufficient. However, they appreciated the role played by officers and requested our Federation to take proactive role to further develop RRBs.

The Meeting ended with a positive note.



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Circular # 50:2014

15th September 2014

**57TH CENTRAL COMMITTEE MEETING
HELD AT UJJAIN ON 14TH SEPTEMBER, 2014**

The ancient seat of Ujjain, the seat of Jyotirlingam Mahakal was the venue of the 57th Central Committee Meeting of our Federation. The Meeting was organised at the Banquet Hall of Hotel Vikramaditya. The Meeting was successfully organised by Comrades of Narmada Jhabua Gramin Bank Officers' Organisation led by Com. Pandey, President and Com. Khandelwal, General Secretary.

The 57th Central Committee Meeting was inaugurated by Com. G.V. Manimaran, Sr. Vice-president, AIBOC and Chairman, AIRRBOF. In his interaction Com. Manimaran lauded the efforts by AIRRBOF in resolving the issues of officers despite of all odds. He also shared the recent developments on salary revision and the perspective of AIBOC to ensure decent initial Basic Pay for new officers joining the Bank. He called for a little perseverance and dogged commitment to clinch the issue.

With the welcome address by Com. B.L. Khandelwal, Jt. General Secretary, AIRRBOF and General Secretary of Narmada Jhabua Gramin Bank Officers' Organisation, the President called the house to order and agenda wise discussion started.

General Secretary placed before the house a detailed report containing all developments since the last Meeting. The report was widely deliberated by Office Bearers & Committee Members. The following decisions were taken:

- (i) In the ensuing JCC Meeting the issue of relaxation of length of service for eligibility to promotion should be raised.
- (ii) The existing other allowances matter need to be further pursued so that in the next salary revision, the Govt. of India, DFS, circular should stipulate extension of other allowances also.
- (iii) The recruitment process by IBPs for RRBs should be exactly as par the norms followed by Nationalised Banks.
- (iv) The recent instruction to allow Private companies towards Crop Insurance shall cause higher premium. This matter should be properly reviewed.
- (v) Private Insurance Companies for life and General Insurance should be discontinued and tie up should be made with Life Insurance Corporation of India and GIC subsidiary.
- (vi) The discrimination between direct recruit officers and promotees in case of further promotion should be discontinued.
- (vii) AIRRBOF should demand for formulation of proper HR Policy for RRBs which should include recognition system of Association/Unions as well as check off facility, periodical HR Meeting & other system as prevalent in Nationalised Banks.

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It was resolved that the next Triennial Conference shall be held at Chandrapur (Maharashtra) on 31st January & 1st February, 2015. Vidharva Krishna Gramin Bank Officers' Association led by Com. Chopdar, President, Com. Chippa, Working President and Com. Makhija, General Secretary shall make all arrangements. The Meeting is expected to be attended by Senior Ministers. Large number of delegate & observer shall attend the meeting. Com. B.P.Singh, Convenor, All India RRB Pensioners Federation (AIRRBPFF) is requested to organise the Foundation Conference of Pensioners Federation at the earliest.

The Central Committee Meeting ended successfully.

Circular # 51:2014

18th September 2014

ISSUES OF RRB OFFICERS

We reproduce hereunder the text of the letter written by the Federation on the captioned subject to Shri G.S. Sandhu, Secretary, Department of Financial Services, Govt. of India for your information & necessary action.

"Kindly note that the 57th Meeting of the Central Committee of All India RRB Officers' Federation took place at Ujjain (MP) on 14th September, 2014. Large number of officers from all over the country attended the Meeting.

The house resolved to bring to your notice that following issues need to be resolved by DFS at the earliest. We note down the issues for your consideration and proper resolution.

(i) The other allowances & benefits available to RRB officers & employees vary from RRB to RRB even amongst RRBs sponsored by same Bank. The position is discriminatory. It is the main reason of new recruit officers not continuing with RRBs and moving to the greener pasture. This matter needs immediate resolution. Henceforth, the circular of revision of Salary to be issued by DFS should include other allowances & benefits also.

(ii) The recruitment process by IBPS for RRBs is faulty and causing lot of attrition. In case of RRB written test is conducted by IBPS and candidates knowing the language of the state can be recruited in any other state having the same official language. In case of Nationalised Banks both written test & interview is taken by IBPS & candidate is allotted to Bank of his choice in a particular zone. The policy of recruitment for RRBs should be exactly as par the norms followed by Nationalised Banks.

(iii) The recent instruction to allow Private companies towards Crop Insurance shall cause higher premium. This matter should be properly reviewed.

(iv) Private Insurance Companies for life and General Insurance should be discontinued and tie up should be made with Life Insurance Corporation of India and GIC subsidiary only.

(v) The discrimination between direct recruit officers and promotees in case of further promotion should be discontinued.

(vi) Proper HR Policy for RRBs should be formulated which should include recognition system of Association/Unions as well as check off facility, periodical HR Meeting & other system as prevalent in Nationalised Banks.

We shall request you to resolve the issues at the earliest".

All India RRB Officers' Federation.

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Circular # 52:2014

18th September 2014

WAGE REVISION NEGOTIATIONS

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 59, dated 17th September, 2014.

"You are aware that latest round of talks with IBA on Wage Revision has taken place on 17th September, 2014 at Mumbai. The representatives of UFBU had discussions prior to meeting the IBA to decide the common strategy to be adopted. We reproduce hereunder the contents of the circular No. 2014/28 of date issued by the Convener of United Forum of Bank Unions advising the development taken place in the meetings:-

"The representatives of UFBU met at 11.00 a.m. to discuss and decide the strategies to be adopted in the negotiations with IBA. It was decided that along with the percentage increase in its offer, other important issues like regulated working hours, 5-day week, improvements in pension related matters should be raised simultaneously.

In the IBA meeting, Sri Bhasin, who was the Negotiating Committee Chairman till the last meeting and now elected as Chairman of IBA introduced the newly constituted Negotiating Team of IBA under the leadership of Sri Rajeev Rishi, the newly appointed Chairman of Negotiating Committee.

Subsequent to brief introduction and completion of formalities, before commencement of negotiations on wage revision, UFBU raised the following issues:

(i) COMPASSIONATE APPOINTMENT SCHEME:

While thanking the IBA for its efforts and being instrumental in getting clearance of the Government for introduction of Compassionate Appointment Scheme on the lines available to Central Government employees, UFBU sought clarifications on issues like eligibility, applicability with regard to death cases prior to 05.08.2014, etc., to which IBA conveyed that the matter would be referred to Government and necessary clarifications will be issued on receipt of their advices.

(ii) ACCOUNTS TO BE OPENED UNDER JAN DHAN YOJANA:

While appreciating and extending the support of UFBU to the initiatives taken by the Government towards extension of banking facility to all the people in the Country, UFBU expressed the following apprehensions:

United Forum of Bank Unions

- ❖ The compromises on KYC norms may lead to opening of fraudulent accounts for which employees should not be held accountable;
- ❖ The pressure due to the targets stipulated for opening of accounts are greatly affecting the regular banking activities and services to existing customers;

Due to the stipulation on timings for opening of accounts from 8.00 a.m. to 8.00 p.m., employees are forced to work beyond their working hours and are also under severe stress to achieve the stipulated target.

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During the negotiations, IBA informed that the UFBU's demand of 25% increase in pay slip components is on high side and beyond the paying capacity of banks and insisted that UFBU should review its demand, to which UFBU responded as under:

- ❖ IBA should substantially revise its offer of increase in pay slip components;
- ❖ The other important issues like regulated working hours, 5-day banking, improvements in pension related matters, etc. should be discussed simultaneously and in a time-bound manner;
- ❖ The meetings on negotiation have to be held regularly at frequent intervals ensuring expeditious settlement;
- ❖ UFBU will have flexibility in its demand depending upon the response of IBA on all the above matters.

IBA assured us to schedule the next round of meeting within one week to discuss comprehensively on all the issues. Comrades - every effort is being made by UFBU not only for expeditious conclusion but also for a respectable Tenth Bipartite Wage Settlement. Let us continue to maintain our unity which would strengthen us in achieving our goals. Further developments will be advised in due course".

Circular # 53:2014

25th September 2014

4TH MEETING OF JCC HELD AT NABARD, HO, MUMBAI ON 24TH SEP., 2014 – POSITIVE APPROACH SHOWN BY GOI, MOF & NABARD

The Joint Consultative Council (JCC) for RRBs was constituted by Govt. of India, Dept. of Financial Services vide its order F.No. 2/1/2008-09-RRB dated 5th February, 2009. With the formation of JCC, forum was established at NABARD for interaction on different issues between Management and Officers' Association/Employees' Union in RRBs. However, after holding of the 3rd JCC Meeting on 1st February, 2011 no Meeting took place in the last 3 years and 6 months. The 4th Meeting of the JCC was convened in May, 2014 and deferred to June, 2014 and subsequently again deferred. The 4th JCC Meeting took place on 24th September, 2014 at the Conference Hall of NABARD, HO, Mumbai.

The Meeting was presided over by Shri Harsh Kumar Bhanwala, Chairman, NABARD. Shri H.R. Dave, Dy. Managing Director, Shri A.K. Java, Chief General Manager (IDD) along with all senior officials of NABARD also participated. For the first time, Shri Alok Tandon, Jt. Secretary (Ps), Govt. of India, Dept. of Financial Services attended the Meeting along with Shri A.K. Dogra, Dy. Secretary, RRBs, Dept. of Financial Services. Our Federation was represented by the General Secretary of the Federation, Com. S.K. Bhattacharjee. He was accompanied by Com. R.G. Makhija, President and Com. M.V. Karer, Vice President.

At the outset, our General Secretary pointed out that several earlier decisions taken in the JCC Meeting was not implemented. Chairman, NABARD clarified that certain decision like sharing of circulars on HR were not implemented due to some technical problems he assured that henceforth JCC Meeting shall take place in regular intervals and circulars issued by NABARD shall be placed in the JCC Meeting to be shared with Unions & Associations.

The issue of extension of other allowances & benefits at par with Sponsor Banks was raised. Our General Secretary pointed out that despite of Award of NIT and Supreme Court verdict in 2001, Govt. of India is

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The issue of extension of other allowances & benefits at par with Sponsor Banks was raised. Our General Secretary pointed out that despite of Award of NIT and Supreme Court verdict in 2001, Govt. of India is not issuing clear circular on other allowances and Sponsor Banks had diluted the matter by issuing instructions for introduction of different set of allowances & benefit. It was also pointed out that some Sponsor Banks had advised extension of other allowances & benefits at par. Jt. Secretary (Ps), Govt. of India, Dept. of Financial Services intervened to announce that the circular issued by Govt. of India, DFS in 2010 towards salary revision in RRBs had set out instructions and if the circular was not properly implemented the same should be pointed out in writing by Unions/Associations for necessary charges. Our General Secretary pointed out that GOI, DFS circular should be issued in a comprehensive way so that it covers both salary, allowances & other benefits, to which Jt. Secretary agreed to look into.

On the issue of discriminating practice to officers in payment of gratuity as only BP is reckoned for calculation, we pointed out the detail. It was agreed that the entire matter shall be reexamined and suitable correctional measures taken.

Our General Secretary opposed the provision in the Service Regulations towards transfer of Scale IV officers to other RRBs of same Sponsor Banks. It was clarified by NABARD that no officer had been transferred to other RRBs of same Sponsor Bank.

The need for setting up of Staff Welfare Fund in RRBs in line with Sponsor Banks was lucidly explained by our General Secretary. It was decided that Sponsor Banks should examine setting up the scheme at the earliest at RRBs.

In regard to the extension of compassionate appointment scheme in RRBs our demand was acceded to by representatives of GOI, MOF and they assured to issue the order at the earliest.

The issue of posting of senior Scale IV of officers of RRBs as GM was raised by us. It was advised by the Chairman that the Sponsor Banks should try to place eligible RRB officers as GM in deserving cases. We demanded forcefully that RRB service and Promotion Regulations should be at par with Sponsor Banks. It was clarified by Chairman and representatives of MOF, GOI that at the time of next amendment of regulations the same shall be looked into.

In respect of issues like grant of special leave to Office bearers of Trade Unions in organisational activities, provision of officer Director, VRS and sabbatical leave no decision could be taken.

The participants on behalf of Sponsor Banks, State Govt. Chairmen of RRBs and Officers' Association/Unions expressed their view point briefly. The Meeting ended with a positive note.

Circular # 54:2014

26th September 2014

PAYMENT OF SALARY, ALLOWANCES & OTHER BENEFITS IN RRBs

We reproduce hereunder the text of the letter written by the Federation on the captioned subject to Shri Alok Tandon, Joint Secretary, Department of Financial Services, Govt. of India for your information & necessary action.

"We draw your kind reference to the discussion that took place during the course of JCC Meeting held in Mumbai on 24th September, 2014 on the captioned subject.

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In this regard we submit below our view point seriatim:

- (i) In the Meeting taken by then Finance Minister, Shri Pranab Mukherjee on 25th July, 2010 with Chairmen of RRBs, then Finance Minister announced the revision of pay scales of officers & staff of RRB equal to corresponding categories of Nationalised Banks as per 9th Bipartite Settlement between IBA and United Forum of Bank Unions (Ref: Minutes of the Meeting held on 25th July circulated by F.No. 3/11/2010-RRB dated 1st September, 2010). It means that then Finance Minister intended to allow revision of Salary, Allowances & Other Benefits at par with Nationalised Banks.
- (ii) In case of Nationalised Banks Salary, Allowances & Other Benefits are revised by signing of agreement between IBA and Unions/Associations. Therefore, Salary & Allowances are similar in case of all Nationalised Banks who are member Banks of IBA.
- (iii) Govt. of India, DFS vide order F.No. 8/3/2010-RRB dated 24th July, 2010 revised only Basic Pay, Dearness allowances, HRA & CCA at par with Nationalised Banks. The matter of revision of other allowances was left to the mercy of Sponsors Banks though the same is equal in all Sponsor Banks. This had created lot of discrimination amongst RRBs of different Sponsor Banks.
- (iv) The order of the Govt. of India had created a situation of disparity amongst RRBs in respect of Other Allowances & Benefits. Different Sponsor Banks had issued different order. The order issued by State Bank of India dated 6th August, 2011 had fixed other allowances less than those existing in Sponsor Bank. The order issued by Indian Overseas Bank is different. However, United Bank of India, UCO Bank and Central Bank of India extended other allowances existing in Sponsor Banks.
- (v) It is, therefore, apparent that with the delegation of power of fixation of other allowances by Sponsor Bank wide disparity had arisen amongst officers & employees of RRBs.
- (vi) Earlier it was the practice that Govt. of India, Ministry of Finance, then Dept. of Banking used to issue order of salary revision in RRBs in respect of all the components like BP, DA, HRA, CCA as well as other allowances at par with Nationalised Banks. The same practice need to be reintroduced.
- (vii) Till such time next Salary Revision in Banking Industry takes place, DFS should advise all Sponsor Banks to extend other allowances as obtaining in Sponsor Banks arising out of last revision of salary that took place in 2010.
- (viii) After the next Salary Revision agreement between IBA and Officers' Associations/Workmen Unions, salary & allowances in RRBs should be comprehensively revised by an order to be issued by DFS in accordance with the power conferred under Sec. 17 (I) of the RRB Act, 1976.

We request you to take immediate action in this regard".

Circular # 55:2014

30th September 2014

SWACHH BHARAT ABHIYAN

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 62, dated 30th September, 2014.

"We understand that the Banks are asking Officers and Employees to come to Branches on 2nd October, 2014 for taking pledge on 'Swachh Bharat Abhiyan'. While we appreciate and support the objective of the movement and extend our wholehearted support for the same, we deplore the procedure adopted by calling officers and employees on National holiday. Nobody is thoughtful of wastage of time, energy and scarce resources and focused only on their own image building.

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We strongly feel such noble campaigns are essential but method of implementation should not be by way of imposing on people, causing them inconvenience. AIBOC calls upon all its members not to come to their office / branch on this National Holiday but join in taking oath through Electronic /Social Media or any other way convenient to them from the places convenient to them.

Please circulate this message to all members and ensure the implementation".

BANKING ROUND UP:

MUNDRA, NEW RBI DEPUTY GOVERNOR

Government has appointed Sri. S. S. Mundra, Chairman and Managing Director of Bank of Baroda as Deputy Governor of Reserve Bank of India. Mundra has been given a 3 year term.

Courtesy : Officers' Voice, September 2014.

SHANTHANU MUKHERJEE APPOINTED MD OF SBH

Shanthanu Mukherjee has been appointed Managing Director of State Bank of Hyderabad.

Courtesy : Officers' Voice, September 2014.

RAJIV LALL NAMED IDFC BANK'S MD & CEO

Infrastructure finance company, IDFC which recently got an in principle banking licence from RBI stated that its present Chairman, Rajiv Lall will head the bank as Managing Director.

Courtesy : Officers' Voice, September 2014.

T M BHASIN IS NEW IBA CHAIRMAN

The Indian Banks' Association (IBA) has elected Sri T M Bhasin, Chairman & Managing Director of Indian Bank, as the Chairman of the Association for 2014-15 in its 67th Annual General Meeting. Prior to Bhasin, Sri K R Kamath, CMD of Punjab National Bank was the IBA Chairman.

Courtesy : Officers' Voice, September 2014.

NABARD GETS DEPUTY MDS

The Government has appointed Sri R. Amalorpavanathan and Sri H R Dave as Deputy Managing Directors of the National Bank for Agriculture and Rural Development (NABARD).

Courtesy : Officers' Voice, September 2014.

FINMIN SETS UP PANEL TO GIVE MORE TEETH TO DEBT. RECOVERY LAWS

The Finance Ministry has constituted a panel to give more teeth to the debt recovery laws to effectively deal with willful defaulters and check bad loans which have soared to Rs.2.40 lakh crore.

A panel has been constituted by the Department of Financial Services for suggesting changes in the existing laws to make debt recovery more effective, sources said. The members of the panel entrusted to revisit existing debt recovery laws include Anurag Jain, Joint Secretary, Dept. of Financial Services, former Law Secretary, V K Bhasin, representatives of DRT, RBI, IBA and Bar Associations, sources said. The Panel is also assigned to draft a new statute with harsh penal provisions for willful defaulters.

Courtesy : Officers' Voice, September 2014.

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CENTRE BANS CAMPUS RECRUITMENT OF BANK OFFICERS

The Centre has asked all Public Sector Banks to desist from the practice of directly recruiting officers from campuses in view of the court strictures.

It cites a decision of the Bombay High Court against Central Bank of India's campus recruitment in a connected petition which was confirmed later by the Supreme Court.

In view of the this, the Ministry of Law and Justice has observed that "recruitment of officers in public sector banks against permanent direct recruitment vacancies on regular basis by resorting to campus recruitment / interview method may not be in accordance with the law".

Courtesy: Officers' Voice, September 2014.

CBI TO PROBE IDBI BANK'S BAD LOAN TO KINGFISHER AIRLINES

The CBI has started a preliminary enquiry into the Rs.950 crore alleged bad loan given by IDBI to Kingfisher Airlines, ignoring the company's negative credit ratings and net worth. "It was the first exposure to the Bank. There was no need for the Bank to take the exposure outside the consortium when already other loans are getting stressed," a senior CBI official probing the matter said.

Courtesy: Officers' Voice, September 2014.

BANKS TIGHTEN FREE ATM PAYOUTS

The RBI has said that it has reduced the number of free ATM transactions in six metro cities from five to three a month. However, nothing precludes a bank from offering more than three free transactions at other bank ATMs to its account holders, if it so desires, RBI said in a circular. Further, beyond the five transactions, banks could levy transaction charges (not exceeding Rs.20 plus applicable tax). This restriction will not apply to no-frill accounts as well as ATMs situated outside the six metro cities.

Courtesy: Officers' Voice, September 2014.

NIA APPOINTS NEW DIRECTOR

Sushobhan Sarkar has taken over as Director of the National Insurance Academy, Pune with effect 29th September 2014. He retired as Managing Director of Life Insurance Corporation of India recently, and brings with him vast experience in the Life Insurance Industry.

Source: The Hindu Business Line, 9th October 2014.

HEMANT CONTRACTOR IS PFRDA CHIEF

Hemant G. Contractor assumed charge as Chairman of pension regulator, PFRDA. Contractor has been appointed for five years or till attaining the age of 65 years, whichever is earlier, an official release said. Prior to this appointment, he was a Managing Director at the State Bank of India.

Source: The Hindu Business Line, 9th October 2014.

PRESS CORNOR:

RBI, FINMIN ON SAME PAGE OVER FINANCIAL INCLUSION PROJECT

The Reserve Bank of India and the Finance Ministry are not having any difference of opinion over the Government's proposed financial inclusion project, said Governor Raghuram Rajan.

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Prime Minister, Narendra Modi is expected to unveil on August 15 an ambitious financial inclusion project - Sampoon Vitteya Samavesh - that seeks to open at least 15 crore new bank accounts for 7.5 crore unbanked families over a year.

"We have been exchanging views with the Finance Ministry. There is no difference of opinion between us," Rajan told a press conference after Finance Minister Arun Jaitley addressed the Central Board of the RBI here on 10th August, 2014. The RBI is reportedly not in favour of immediately providing an overdraft facility of Rs. 5,000 to all the new basic accounts as part of this financial inclusion drive.

Public sector banks are keen that an overdraft be provided selectively and that too only after studying the activity of the said accounts.

The RBI is also understood to have conveyed to the Finance Ministry that it is not in favour of setting up of a credit guarantee fund (with corpus of Rs. 5,000 crore) to give comfort to banks to provide such over drafts.

Source: The Hindu Business Line , 11th August, 2014.

JAITLEY STEPS IN, CALLS FOR REVIEW OF PSB CHIEF APPOINTMENTS

Finance Minister, Arun Jaitley has asked the Reserve Bank of India (RBI) and the Cabinet Secretary to look for discrepancies in the recent appointment of chiefs of public sector banks (PSB).

Jaitley has written to RBI Governor Raghuram Rajan and the Cabinet Secretary stressing the need for a review in the wake of irregularities that have come to light.

A clutch of proposals for PSB Chairman appointments by the erstwhile UPA regime, days before demitting office, will also now come under the scanner. This move is seen as direct fallout of the recent arrest of Syndicate Bank Chairman and Managing Director SK Jain by the Central Bureau of Investigation for alleged corruption.

The RBI Governor heads the appointments board, which selects the chief executives (Chairman and Managing Director) of public sector banks.

The Cabinet Secretariat processes all the papers for the Appointments Committee of the Cabinet.

There was an impression gaining ground in the last two years that there was no settled procedure to select the Chairmen and executive directors of PSBs. As a result there was little transparency and the application of rules was open to distortion on political considerations. Instances have come to light of meritorious candidates getting good annual appraisals being bypassed by those who had political clout or used middlemen.

Source – The Hindu Business Line, 15th August, 2014

NABARD CUTS INTEREST RATES ON REFINANCE BY 20-50 BPS

To give a boost to investment in the agriculture sector, the National Bank for Agriculture and Rural Development (NABARD) has reduced the rate of interest on their refinance facilities to banks by 20-50 basis points.

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The new rates of interest on refinance will now be 9.30 per cent (9.50 per cent earlier) for five years, 9.50 per cent (9.70 per cent) for three-five years, and 9.50 per cent (10 per cent) for tenures between 18 months and three years.

The new refinance rates are applicable from August 14. One basis point is equal to one-hundredth of a percentage point.

In addition to this rate cut, NABARD will also cut 50 basis points in interest rates for area development projects and innovative activities that enhance production and farm productivity.

These activities, among others, are production under controlled conditions, such as poly houses, water-saving drip and sprinkler facilities and precision farming.

Banks taking more than Rs. 500 crore in a single drawal will further be incentivised by 10 basis points, NABARD said in a statement.

The Development Bank has also reduced to 10 per cent (from 10.5 per cent) the rate of refinance interest on short-term loans to State cooperative banks, and regional rural banks for financing prescribed activities other than crop loans, such as financing to weaver cooperative societies, handloom development corporations, and marketing of crops.

Source – The Hindu Business Line, 15th August, 2014

RBI GOVERNOR TO HOLD TALKS WITH UNIONS ON HR REJIG

Reserve Bank of India, Governor, Raghuram Rajan will meet representatives of employees' unions on Tuesday to explain to them and get their views on the proposed restructuring of the central bank's employees, including appointing a Chief Operating Officer (COO) and bringing various departments under clusters.

RBI officials said the initial proposal had been prepared on the basis of year-long internal exercise conducted through Intranet and by a committee. "It is not something which the Governor himself has proposed," said an official, adding that no decision had been taken that the COO would be in the rank of a Deputy Governor. Nor had any timeline been fixed for implementing the proposal.

"There are misgivings about the proposal. That is why the Governor is talking to employees unions and associations to hear their views and clear their doubts," a senior RBI official told Business Line.

The official said that by undertaking the restructuring exercise, it does not mean that everything is being rewritten. The effort is to regroup various departments and make things more logical.

The Governor had an interaction with the employees through video conferencing, the official added. On 10th August the RBI Board approved the Broad contours of the proposal and now specifics such as appointment of a COO would be presented before the board, as and when required.

The restructuring exercise talks about grouping various departments into five clusters. "For example, the cluster on monetary policy will have departments such as Monetary Policy, Financial Market, Research and Communication. Similarly, the cluster on supervision will have departments such as Banking Operation, Banking Supervision, Rural Credit, Urban Credit and NBFC," the official explained.

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Just as in a company, the proposal talks about appointing a COO in the bank to supervise its internal working. "Since each of the clusters will be under one Deputy Governor, it will be logical to have COO of the rank of a Deputy Governor. But, we are aware that appointment of fifth Governor will require amendment to the RBI Act, 1934," the official said.

Currently, the Act prescribes that the central board will comprise the Governor, four Deputy Governors, one director each to be nominated from four local boards, 10 directors and two Government officials. Keeping this in mind, the board has asked the Reserve Bank to initiate a dialogue with the Government on the additional post of Deputy Governor and the legislative changes that will be needed.

Source – The Hindu Business Line, 19th August, 2014

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

The Finance Ministry is examining two bank investment holding company models for parking the Government's shareholding in public sector banks, said GS Sandhu, Financial Services, Secretary.

"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," he said.

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, Sandhu explained on the sidelines of Indian Banks' Association's 67th Annual General Meeting.

A view needs to be taken about capital requirements — whether capital has to be provided at each level, he added.

"These are some of the issues which are being addressed. So, only after that we will decide on the holding company structure for public sector banks," he said.

Sandhu observed that there has not been much progress so far on the bank investment holding company model for vesting the Government's shareholding in public sector banks (PSBs).

"We are at the moment working on raising more capital directly for the banks. Holding company structure is being discussed with the RBI.

"There are some issues which we have to get over. Once those issues are clear, only then we will decide whether we want to have a holding company and how many holding companies. There are two views," he said.

To provide a level playing field for public sector banks vis-à-vis their private sector counterparts, the RBI's PJ Nayak Committee on 'Review of governance of boards of banks in India' had proposed the transfer of Government holding in PSBs to a Bank investment Company (BIC).

Wherever borrowers are not repaying loans deliberately, change of management can be done by legal force. That is the provision that the Government is going to incorporate in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, said Sandhu.

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On whether the CBI investigations on banks are denting the morale of bankers, he said, "We are advising the banks that any bona fide action which they take will be protected. They should look at the quality aspect (of loan proposals) and the security aspect." "We are going to reiterate this soon. Safety and security of their money is important. So, they have to do due diligence and see to it that the money (they lend) comes back to them".

Pointing out that risk is inherent in banking, Sandhu said a bona fide decision can go wrong. So, for that the banker cannot be penalised. He has to be protected, else no one will take decisions, he pointed out. On top-level appointments in PSBs, the Secretary said the Finance Ministry is looking at bringing more transparency into the appointments.

"What we are proposing is the PSB chief should be appointed for a total of five years. Initially, for three years and based on assessment for a further period of two years," he said. In such a scenario, it would not be necessary for a PSB chief to retire at 60.

Source: The Hindu Business Line, 21st August 2014

PF CEILING HIKE SET TO HIT SMALL BUSINESSES HARD

Ceiling revisions in the EPF scheme (In ₹)		EPFO - by numbers	
November 1, 1952	300	7.43 lakh establishments covered	
June 1, 1957	500	8.87 crore enrolled members	
December 31, 1962	1,000	44 lakh monthly pensioners	
December 11, 1976	1,600	111.42 lakh benefit claims settled	
September 1, 1985	2,500	₹77,000 crore of contribution received	
November 1, 1990	3,500	₹35,118 crore paid as benefits to members	
October 1, 1994	5,000	₹6,32,159 crore of investment corpus	
June 1, 2001	6,500		
September 1, 2014	15,000		

Source: EY

Source: EPFO's Annual Report, 2012-13

Already hit hard by slowdown and tight liquidity, small and medium enterprises face a new problem — finding funds for an expanded provident fund coverage.

From October 15, companies will have to step up their contributions to the Employees' Provident FUND Organisation (EPFO). A new directive, which took effect on September 1, raises the basic salary limit for PF enrolment to Rs. 15,000 from Rs. 6,500, bringing many new employees under the EPFO umbrella. Companies have to contribute 12 per cent of every enrolled employee's basic salary towards PF, of which 8.33 per cent goes into a pension scheme.

The expanded coverage will lead to a spike in wage costs for companies. According to an EPFO circular, companies in sectors such as building and construction, placement agencies, mines, banks, and healthcare are likely to see a large impact.

The sudden change, half-way between annual pay raise cycles that happen in April, can push up the wage bill by 2-3 per cent for small companies, says R. Venkatakrisnan, Treasurer, TiE Chennai, an organisation that promotes entrepreneurship.



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"With a net profit margin of 8 per cent, they will see a big hit to their profitability," he says. "Raising the ceiling in a phased manner would have given companies sufficient runway to adjust their pay structure," he feels.

Arranging the additional cash at short notice is a problem, says V Nagappan, Director, Tamil Nadu Newsprint and Papers. Given the downturn, smaller companies are already facing liquidity problems.

Companies have little leeway in making payments. "Contributions must be deposited by the 15th of the following month, plus a five-day grace period," says Amarpal Chadha, Tax Partner, EY. Delays attract interest and penalties.

Some companies are, however, not troubled as they are voluntarily making such payments already. Take the case of Rural Shores, a BPO that operates in the rural segments. Around 18 per cent of its employees will be affected by the change, but there will be no financial impact as "all of them have been covered under the PF regime regardless of their salaries," says Murali Vullaganti, CEO, Rural Shores.

While the steep hike is tough for companies, especially small and medium enterprises, it was long overdue. The eighth revision since the wage ceiling was first set in 1952, comes after the cap was last raised in 2001 from Rs. 5,000 to Rs. 6,500.

According to an EPFO estimate, the latest change will increase the number of employees covered under the provident fund scheme by 30 per cent. The total EPFO membership was 89 million as of March 2013.

In 2012-13, nearly 7.4 lakh establishments contributed to the EPF scheme, which had a corpus of Rs. 1.8 lakh crore (as of March 2013). Payments for monthly pensions and withdrawal benefits amounted to Rs.9,038 crore.

Though the raising of the cap is seen as good news by most employees in the organised sector who have no formal retirement or pension scheme, the younger generation is none too happy.

Preferring more money on hand now, rather than salt away for a distant future, "the PF deduction has resulted in discontent amongst many employees," says Vullaganti whose company has a young workforce.

There may be more cause for unhappiness in the future too. Companies may also skimp on increments for the next one-two years, citing higher PF/pension contribution, according to Nagappan.

Will companies move to hiring people on a contract basis to reduce the pension contribution? Not likely, says Chadha. For, strictly speaking, the current PF rules cover contract employees also.

Source: The Hindu Business Line, 8th September 2014.

RBI UNIONS TAKE EXCEPTION TO HR REJIG, LATERAL RECRUITMENT PLAN

Officers and employees of the Reserve Bank of India (RBI) have warned the Directors of the Central Board that any unilateral change in the human resources policy may trigger "avoidable extreme industrial action".

The United Forum of Reserve Bank Officers and Employees wrote to the Board asking it to issue directions to the management to take member unions on board before tinkering with the policy.

All India RRB Officers' Federation.

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The bone of contention, says Samir Ghosh, Convenor of the Forum, is the internal restructuring and lateral recruitment proposals being considered by the RBI.

Signatories to the letter included SV Mahadik of the RBI Workers' Federation, CM Paulsil of the All-India RBI Officers' Association and RN Vatsa of the RBI Officers' Association.

The Forum recalled its meeting with the Governor, Deputy Governor and senior officials on August 19, wherein it had expressed concern over the proposed restructuring and clustering.

It had also expressed serious opposition to lateral recruitment in leadership positions on a continued basis and had sought meaningful interaction for an amicable settlement.

RBI Governor Raghuram Rajan had suggested that the Forum give its concerns over the matter in writing, and promised to find a solution to the issue at the next meeting. On August 26, in a letter to the management, the Forum conveyed its fears over the restructuring, creation of additional posts of Deputy Governors and Executive Directors, and lateral recruitments.

The letter also requested Governor Rajan not to take any hurried and unilateral action. But members of the Forum say they have since learnt that the central bank authorities are going ahead with the restructuring proposals.

A newspaper advertisement for lateral recruitments at the highest level has also not been withdrawn.

Source: The Hindu Business Line, 8th September 2014

FINANCIAL INCLUSION MAKES BUSINESS SENSE FOR BANKS, SAYS RBI OFFICIAL

When foreign investors are attracted by the return on investment generated by microfinance institutions, which cater to the credit needs of those at the bottom of the pyramid, then there is definitely a business case for banks to go the whole hog on financial inclusion under the Prime Minister's Jan Dhan Yojana, according to a top Reserve Bank of India official.

"Why are foreign investors willing to come into the country in the microfinance segment? This is because they can get returns on their investment. So, the business case has been built up.

What we need to build up in financial inclusion is also a similar business case. You do have profit at the bottom of the pyramid," said Deepali Pant Joshi, Executive Director, Reserve Bank of India, on the sidelines of a recent financial inclusion conclave.

Under the Yojana, which was launched on August 28 by Prime Minister Narendra Modi, banks collectively have to open 7.5 crore basic savings bank deposit accounts by January 26, 2015.

These accounts come with benefits including a RuPay debit card, a Rs. 1-lakh accident insurance cover and an additional Rs. 30,000 life insurance cover.

On satisfactory performance of an account in the first six months, the account holder will get an overdraft facility of up to Rs. 5,000.

Joshi observed that under the Yojana there would be a steady stream of small deposits for banks. So, they will have a large corpus to depend upon.

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The RBI has advised banks to leverage the Government's Direct Benefit Transfer (DBT) initiative to link all individuals to the banking system and to utilise the large amounts likely to be credited in these accounts to promote deposit and credit products.

"It is a win-win proposition for banks if they manage to build a business case. And such a business case is emerging, because if you have direct benefit transfers and you have a revenue stream, then a lot can be achieved. If 50 per cent of the country's population, which is marginalised, comes into the mainstream as producers and consumers of goods, you can imagine what strength of the economy would then be," said Joshi.

The RBI official said the central bank is monitoring implementation of the Yojana at the State and district levels. "It is a question of putting your shoulder to the wheel and being in the trench along with the troops," she added.

Source: The Hindu Business Line , 4th September, 2014

RESERVE BANK TO PICK TALENT VIA UPSC LIKE TEST

The Reserve Bank of India will adopt a common recruitment system from next year to tap talent for its core functions. The larger objective is to strengthen itself in the changing economic scenario.

"Starting from 2015, there shall be common recruitment for all core functions of the bank," the RBI said in an internal report on HR initiatives.

At present, it recruits officers and support staff for core and non-core functions through different examinations, such as the Grade 'B' officers level exam. The RBI now has about 17,000 employees.

The proposed common recruitment will not only cover traditional areas such as economics and statistics but also include niche skills, such as risk management, financial markets trading, accounting, legal, human resources management and counseling.

The officers that are recruited will have a common seniority. In effect, it will be like the common cadre under the All India Services of the Union Public Service Commission. The Reserve Bank Services Board hopes to complete the entire recruitment cycle within three to four months.

By December, an assessment centre will be in place to evaluate the actual/potential performance of an officer. "We do need to engage external consultants," the RBI said.

The apex bank may disassociate itself from functions such as debt management and micro management of sector lending, among others. The focus on forensic audits, on-tap bank licensing, differentiated bank licensing, enforcement, IT systems and risk modeling will increase.

As part of the restructuring initiatives, an amendment to the existing RBI Act is on the anvil to create additional positions in top management.

New units such as a market intelligence division and departments for corporate services and corporate strategy are also in the offing.

Source: The Hindu Business Line , 9th September, 2014

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