

## **EDITORIAL**

### **STATES ASK FOR MORE**

A few days back, the States conveyed to the Centre that the new devolution arrangement — more under the Fourteenth Finance Commission award and less from the Union Budget — was not working well for them. The main burden of their argument was that the additional transfers — Rs. 1.78 lakh crore more this year under the Finance Commission — have been nullified by cutbacks in the Centre's share of centrally sponsored schemes (CSSs), forcing the States to shell out extra to keep these going instead of pursuing programmes of their choice. According to them, there has been no increase in untied transfers as was initially expected (Odisha has complained of a net decline). If this is true, the devolution plan spelt out in the 2015-16 Budget seems to have gone off-track. A NITI Aayog report on the subject submitted last October explains that 'Central assistance to State plans', which comprises 85 per cent CSS transfers, has been cut in the 2015-16 Budget to Rs. 2.05 lakh crore from Rs. 3.38 lakh crore in the 2014-15 Budget. This leaves the States with a net gain of Rs. 40,000 crore. Yes, CSSs should be phased out; they represent an intrusion into the States' domain. In 2015-16, the Centre's share has been reduced in 33 schemes, while 16 will be implemented as wholly Central or State schemes. Seventeen 'flagship' schemes, such as MGNREGA, Sarva Shiksha Abhiyan and National Rural Health Mission, are expected to continue as before. Even here, a reduction in the Centre's share (as opposed to outlay) should be worked out over time in consultation with the States. But for the Centre to be able reduce its share in CSSs, the States must be left with more rather than less funds from the Centre. If the States are right about being worse off now, it could be either because the funds cutback for the ongoing CSSs is more than has been spelt out in the Budget, or that new CSSs (requiring a matching contribution from States) have eaten into finance panel transfers. States should be consulted in advance before any new scheme that involves them is announced.

Most CSSs are poorly implemented because of their one-size-fits-all approach. States lack operational freedom to tailor them to local needs — a notable exception in this regard, however, is the Rashtriya Krishi Vikas Yojana, which has more room for the States built into it. CSSs suffer for shortage of staff, as Plan transfers cannot be used for recruiting permanent employees. All the more reason then for raising the untied component of funds transfer also from the Budget — this would allow the States to figure out their own Plan, non-Plan mix (the latter including salaries and interest payments).

If the issue of funds devolution festers, it could impact efforts to arrive at a consensus on the GST. To raise funds, States may press for keeping more items out of the GST. Therefore, the issue must be cleared up in the forthcoming Budget.

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**All India RRB Officers' Federation**

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## **EXCERPTS FROM AIRRBOF CIRCULARS**

Circular # 01:2016

4<sup>th</sup> January 2016

### **CHALLENGES AHEAD IN THE NEW YEAR, 2016**

At the outset on behalf of AIRRBOF & on my personal behalf I extend you all a very Happy New Year 2016 & wish you meaningful activities to cherish our desired objective.

The advent of the New Year, 2016 brought in its wake lot of challenges for RRB Officers. Our Federation, being the largest officers organisation, took up cudgels on all occasions to fight for the cause of the officers. RRB officers remained a deprived lot even after the NIT and upholding the right to parity by the Hon'ble Supreme Court. In the recent past Govt. of India, Dept. of Financial Services had ushered in an era of ad-hocism and even by passed rules and regulations to suit their purposes. With the Amendment of the RRB Act, the RRBs are fraught with challenges from the newly opened Private Banks and upcoming Payment Banks. The rural areas are saddled with competition for RRBs. No level playing field was provided. A lopsided approach to facilitate Private Banking is the mantra of the Power at the helm.

Even though the Salary Revision was extended to the employees and officers of RRBs, allowances are yet to be revised. Compassionate Appointment Scheme is yet not been introduced even though at several forums like JCC and bilateral discussion it was assured that the same shall be introduced shortly. The recent Amendment in Appointment and Promotion Rules created discrimination for direct recruit and promotes in the cadres of MMGs – II and MMGs – III. The 60<sup>th</sup> Central Committee deliberated at length on all these issues. Federation took up with DFS immediately after the Meeting but no positive results are yet to come. Under such circumstances, UFRB was compelled to call for all India Strike on 10<sup>th</sup> & 11<sup>th</sup> March, 2016 to protest the onslaught of the Govt. of India. We must make the Strike a grand success.

The biggest issue agitating the minds of employees & officers of RRBs is the extension of Pension Parity. Despite of the interim verdict of the Hon'ble Supreme Court, the Committee constituted by the NABARD came up with a scheme for Payment of Pension with conditionalities. The matter is again listed for hearing by the Hon'ble Apex Court. The matter is posted and reposted in the advance list. Now it is slated for hearing on 15<sup>th</sup> January, 2016. We are now at the cross roads in the matter of pension.

Under such difficult circumstances only recourse is the unity & solidarity of workforce. Our Federation needs to be strengthened. Affiliates are to be stronger and discharge their financial obligation to the Federation. **The call in the New Year is to reenergise ourselves, maintain unity and remain combat ready. WIN WE MUST.**

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Circular # 02:2016

5<sup>th</sup> January 2016

**STRIKE NOTICE FOR 10<sup>TH</sup> & 11<sup>TH</sup> MARCH 2016**

We attach the Strike Notice served by UFRRB and simultaneously by AIRRBOF for observing strike on 10<sup>th</sup> & 11<sup>th</sup> March, 2015. The copy of Strike Notice had been sent to Chairmen of all RRBs. No separate Notice need to be served by affiliates to Chairman. A copy of the Strike Notice should be handed over to Chairman's Secretariat under Acknowledgement.

Kindly note that AIRRBOF shall participate only in Strike Action and not in other programme. Make the Strike a grand success.

Ref no. 2022:01:2016

4<sup>th</sup> January 2016

To

The Secretary,  
Govt. of India,  
Ministry of Finance,  
Dept. of Financial Services,  
Jeevan Deep Buildings,  
New Delhi – 110001

Sir,

**NOTICE FOR STRIKE ON 10<sup>TH</sup> & 11<sup>TH</sup> MARCH 2016**

In terms of conciliation held on 28<sup>th</sup> Sept. 2015, before Dy. CLC(c), management of RRBs' assured to resolve the issues latest by December, 2015. Thereafter, as per advice of Hon'ble Dy.CLC, UFRRB deferred 30<sup>th</sup> Sept. and 1<sup>st</sup> Oct. 2015 Strike with immediate effect. But, no perceptible improvement in resolving the issues was noticed. In view of above UFRRB has unanimously decided to resume the agitation with Strike action on 10<sup>th</sup> & 11<sup>th</sup> March 2016 for realisation of following issues:

1. Stop privatization of RRBs and withdraw license given to payment/small bank.
2. Introduce Compassionate appointment scheme in RRB in line with sponsor bank with retrospective effect.
3. Withdraw anti-employees SLP filed by DFS in Civil. Misc. Appeal 39288/2012 at apex court and extend Pension PF parity in line with Sponsor banks.
4. Implement complete Bipartite settlement in terms of NIT Award.
5. Scrap Mitra Committee Recommendations on HR.
6. Stop outsourcing in RRB.
7. Regularise all part-time/ daily waged/Casual workers.
8. Uniform and equal gratuity payment scheme for RRBs' Officer and workmen.
9. Implement Sponsor Banks' Service Regulation to RRB in the interest of equity and justice and declare IBA as apex level negotiating Forum for RRBs too.

With regards,

Yours faithfully,

(S.K. Bhattacharjee)

GENERAL SECRETARY

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**SHORT RECITAL OF THE CASE**

**1. Stoppage of privatization of RRBs & withdrawal of licenses to establish payment banks:**

Regional Rural Banks (RRB) was established with a view to develop the rural economy by way of providing required finance for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.

In RRB Act amendment Bill it has been intended to decrease the central Govt. stake (presently 50%) to 16%. Further, it is apparent that Commercial banks stake has already been disinvested up to 49% and in RRB their stake is presently 35%, meaning thereby having 17.85% Govt.'s worth only. In this way, in case state Govt.'s present stake in RRB ie.15% would remain intact then entire Govt.'s holding (16%+17.85%+15%) would remain 48.85%>51%, means direct privatization of RRB.

The decision of Govt. of India and Reserve Bank of India for issues of licenses for establishment of Payment Banks is against the interest of the rural poor it would create great amount of undue advantage to such Payment Banks at the cost of RRBs.

**2. Introduction of Compassionate appointment scheme in RRB in line with sponsor bank with retrospective effect:**

Ministry of Finance, GOI, vide DO letter F.No.18/2/2013-IR, dated 7th August,2014, reintroduced Compassionate appointment scheme in public sector bank, but in spite of our several reminders and discussion in the earlier JCC Meetings the same have not been reintroduced in RRB till date.

**3. Immediate introduction of Pension-PF scheme in line with Sponsor Bank:**

Despite of severe objections in the course of two rounds of discussions and one round of so called negotiations between Apex Level Unions/Associations of RRBs and NABARD Committee to access the feasibility of granting pension to RRBs, Report was submitted to the Dept. of the Financial Services, Ministry of Finance, Govt. of India on 30<sup>th</sup> June, 2015. The report totally opposed universal payment of pension to officers & employees of RRBs and only upheld the Govt. of India proposal for introduction of Pension with qualifications of profitability & other parameters. In accordance with the Report official of DFS submitted an affidavit before the Hon'ble Supreme Court in the SLP (C) no. 39288 of 2012. This issue is very important.

**4. Implementation of complete Bipartite settlement & officers' Salary Revision in terms of NIT Award:**

Dept. of Financial Services, Govt. of India vide F No. 8/1/2015-RRB dated 31<sup>st</sup> July, 2015 issued instructions to all RRBs for payment of pay and salary components. In the same order it was mentioned that the issue of other allowances shall be separately dealt with. Subsequently, another order was issued by DFS vide F. No.8/1/2015-RRB dated 19<sup>th</sup> August, 2015 advised all RRBs for payment of special allowances as made available in the Public Sector Banks as per Bipartite Settlement & Officers' Salary Revision Agreement. Till today the circular on the other allowances has not been issued by DFS.

**5. Scrapping of Mitra Committee recommendations on HR Policy:**

At the time of constitution of Mitra Committee it was advised told that the Committee has been constituted to recommend post computerization HR planning in RRB, but unfortunately the report has unilaterally been submitted without considering the views of Apex Level Trade Unions of RRBs. The same was already implemented.

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We opposed Mitra Committee Recommendation and it was discussed several times in the earlier JCC Meetings. Despite of our repeated request to stall the process of implementation of Mitra Committee Recommendation the same was made operative.

**6. Stoppage of outsourcing in RRBs:**

Branches of RRBs are mostly located at remote rural sensitive centres where most illiterate and less formally educated customers are dealt with. The out sourced personnel having no statutory obligation to the institution or customers may be quite irresponsible to the cause of institution as well as customers and they may jeopardize the objective of establishment of RRBs. Therefore, outsourcing must be stopped.

**7. Regularisation of part-time/ daily waged workers:**

For a decade part-time /daily waged workers have been rendering their services in branches and administrative offices of RRBs, but in spite of clear legislation under the ID Act their services are not regularized so far. Therefore, we demand their regularization with retrospective effect.

**8. Uniform and equal gratuity payment scheme for RRB's Officer and workmen:**

Gratuity Act is same for all institutions and in said act all eligible staff is termed as employees, but in RRB Officers and Employees are treated differently in payment of gratuity. This anomaly must be removed and same provision should be made for Workmen Employees as well as Officer Employees.

**9. Implementation of Sponsor Bank's Service Regulation to RRB in the interest of equity and justice and IBA should be declared as apex level negotiating Forum for RRBs too:**

RRB was established under RRB Act 1976 for an avowed objective and to operate at district level with its confined area of operation, but slowly and gradually its structure, functioning and area of operation have been expanded. Now, there is no basic difference in functioning of RRBs and its staff members in comparison to sponsor banks & its personnel. Both institutions are functioning under same statutory obligations of BR Act as well as NI Act. So far as the main ingredient of Service Regulation, i.e. Pay structure etc, are also having parity. Therefore, there is no need of separate Service Regulation for both banking institution in the interest of equity and Justice.

So far as apex level separate negotiation forum for both institutions are concerned, it is pertinent to mention here that after the implementation of NIT Award as well as Equation Committee recommendation, NABARD, on direction of GOI, had constituted an Working Group headed by Sri RC Gupta, CGM, NABARD for removal of anomalies cropped up due to pay fitment in Sponsor bank's pay scales. This Working group, after considering all the aspects, recommended as follows: "The Working Group examined this issue and felt that in view of parity being established, it follows that with every change in the pay scales, allowances and other benefits etc; in Sponsor banks, similar changes may be necessary in the case of RRB staff also, notwithstanding the fact that both organisations are represented by different trade unions. The Working Group, therefore, recommends that the RRBs may be made Associate members of the Indian Banks Association to enable them to participate in negotiations".

Indian Banks' Association vide their letter dated 12<sup>th</sup> February, 2015 invited all RRBs to become associate member of IBA. In accordance with the request some of the RRBs had already become members of IBA. Indian Banks' Association already held a meeting on 19<sup>th</sup> August, 2015 with RRBs and discussed several vital issues. Some of the RRBs specially those sponsored by Central Bank of India, Bank of India & State Bank of India are yet to join IBA as associate members. Therefore, NABARD need to advise all RRBs to become associate members of IBA.

(S.K. Bhattacharjee)  
GENERAL SECRETARY

Circular # 03:2016

6<sup>th</sup> January 2016

**COM. A.B. BARDHAN PASSES AWAY**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 01 dated 4<sup>th</sup> January, 2016.

“Ardhendu Bhushan Bardhan popularly known as A. B. Bardhan, veteran Trade Union leader and a life-long crusader for the working class passed away on 02-01-2016 evening around 8-30 PM. in G.B. Pant hospital, in New Delhi, where he was admitted last month after he suffered a paralytic stroke. The last rites of veteran CPI leader were performed today at Nigambodh Ghat, Delhi.

Born in 1924, Com Bardhan was drawn to the movement in his school days itself. He joined the students movement as member of All India Students' Federation (AISF) in the year 1940, when he entered the University of Nagpur. He was enrolled as member of Communist Party of India in the same year. He continued with the movement, while continuing his higher studies and in 1945 he was elected the Secretary of AISF and continued to hold the position till 1948. He was also elected the President of the Nagpur University Students' Union. He left home and became a Party full-timer from 1941.

After leaving the student movement, he joined as a Trade Union organiser, and worked amongst power workers, railway workers, textile workers, defense workers, press workers, engineering workers and so on. He was the pioneer in organizing handloom weavers all over the country. He was the darling leader of All India Federation of Electricity Employees.

For his activities as a student, trade union and Party organiser, he was arrested several times, and spent a total of about four and a half years in jail starting from the 'Quit India' (August 1942) Movement. He was underground for nearly two years, during which he worked as a trade union organiser in Calcutta (West Bengal).

He continued his studies which were interrupted several times due to arrests etc. and obtained the M.A. (Economics) and L.L.B. (Bachelor of Law) degrees. In 1957, he was elected for a five-year term to the Maharashtra State Legislative Assembly.

He was elected to the National Council of the CPI in the year 1968 and to the Party's Central Executive Committee in the year 1978. In 1982, he was elected to the Party's Central Secretariat and became the Deputy General Secretary of the CPI in 1995. In the very next year 1996 he was elevated to the post of the General Secretary of the party when Com Indrajeet Gupta was inducted as Home Minister in UPA Government. Since then, he had continuously been elected as General Secretary till 2012 when he decided to step down in view of failing health.

Com. A. B. Bardhan has held several leading positions in the Indian Trade Union Movement, as a top official of several unions and National Federations. He became the General Secretary of the All India Trade Union Congress (AITUC) in March 1994, a post which he relinquished on becoming the General Secretary of the Communist Party of India in 1996.

Com. Bardhan was an honest politician with a sweeping view of history and was also a prolific writer. Apart from writing on ideological and political issues, he has written number of books and booklets on problems of Adivasis, minorities, history of working class movement, etc. His last book was 'Crisis of Corporate Capitalism' that had number of editions during the last one decade.

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Com Bardhan was a multi-faceted leader – a great scholar, an effective orator, organiser, writer, campaigner, crusader, fighter, and negotiator – all in one. He was an uncompromising champion of the downtrodden and the marginalized. He was a very matured and seasoned political leader. His death is a great loss to the workers & engineers movement, trade unions and to the people at large.

We convey our respectful homage to him and dip our banner in respect of legendary trade union leader”.

Circular # 04:2016

7<sup>th</sup> January 2016

**NOTICE FOR STRIKE BY AIRRBOF FOR 10<sup>TH</sup> & 11<sup>TH</sup> MARCH, 2016**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 02 dated 6<sup>th</sup> January, 2016.

“Our members are aware that our Affiliate All India Regional Rural Bank Officers' Federation (AIRRBOF) had given a strike call under the banner of UFRRB for 30<sup>th</sup> September and 1<sup>st</sup> October, 2015 (Ref: our circular 2015/65 dt. 14.09.15), which was deferred after the Conciliation Meeting held at the instance of Dy. CLC on 28<sup>th</sup> September, 2015. Since there was no perceptible improvement in resolving the issues, the United Forum of Regional Rural Bank Unions (UFRRB) has once again unanimously decided to resume the agitation and have given a strike call on 10<sup>th</sup> and 11<sup>th</sup> March, 2016. A circular of our Affiliate in this regard is attached herewith.

All our Affiliates are requested to extend full support to the agitating comrades. We also request them to be in close touch with the respective Organisations in the Regional Rural Banks sponsored by your Banks”.

Circular # 02:2016

5<sup>th</sup> January 2016

**STRIKE NOTICE FOR 10<sup>TH</sup> & 11<sup>TH</sup> MARCH 2016**

We attach the Strike Notice served by UFRRB and simultaneously by AIRRBOF for observing strike on 10<sup>th</sup> & 11<sup>th</sup> March, 2015. The copy of Strike Notice had been sent to Chairmen of all RRBs. No separate Notice need to be served by affiliates to Chairman. A copy of the Strike Notice should be handed over to Chairman's Secretariat under Acknowledgement.

Kindly note that AIRRBOF shall participate only in Strike Action and not in other programme. Make the Strike a grand success.

Circular # 05:2016

11<sup>th</sup> January 2016

**5<sup>TH</sup> BIENNIAL CONFERENCE OF UTKAL GRAMEEN BANK OFFICERS' ASSOCIATION AT JEYPORE ON 10<sup>TH</sup> JANUARY, 2016**

One of the major RRB in the State of Odisha is Utkal Grameen Bank. Our affiliate in the Bank, Utkal Grameen Bank Officers' Association, true to its democratic tradition, held its 5<sup>th</sup> Biennial Conference at P.N. Singhdeo Memorial Municipal Auditorium, Jeypore on 10<sup>th</sup> January, 2016. The Conference venue was packed to capacity and the same was tastefully decorated. The open session of the Conference was formally inaugurated by none other than Com. S.K. Bhattacharjee, General Secretary, AIRRBOF by lighting the traditional lamp which was shared by other dignitaries on the dias.

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Com. C.S. Pal, General Secretary of the Association made introductory remarks and formal welcome address was rendered by Com. Bhubaneshwar Mishra. Thereafter the participants made self introduction as lot of new officers had joined and so many retired officers were also present. The Conference was felicitated by Com. Sunanda Kumar. Com. Jagganath Behra, Secretary, Odisha State RRB Officers' Association gave a spirited speech. Com. P.K. Tripathi also felicitated the Conference.

The doyen of our Federation, Com. General Secretary, Bhattacharjee in his inimitable style shared with the audience all developments in regard to our issues on other allowances, compassionate appointment scheme, extension of Pension Parity, relaxation in eligibility criteria for promotion etc. He put much stress on organisation building at Bank Level which would provide strength to the Federation. He came down very heavily on the Management of Sponsor Bank, State Bank of India who had put on deputation several Scale IV & Scale V officers to UGB which is causing financial loss to the RRB due to their higher remuneration and perquisites. He asserted that Federation shall take up with all concerned so that increasingly RRB officers are groomed to take over the Management of UGB. He called upon the new officers to be involved in organisational activities and take up reins of the organisation in the years to come. He thanked the leadership and membership of the Association for providing constant support to the Federation. He also elaborated that the issue of other allowances and extension of Health insurance scheme shall be resolved at the earliest with the issue of circular by DFS, Govt. of India.

With the conclusion of the speech of the general Secretary of our Federation the open session was coming to the fag end. The formal vote of thanks was rendered by Com. Profulla Kumar Dash and curtains were drawn with rendering of National Anthem.

The delegate session of the Conference commenced post lunch. The report of the General Secretary and the Statement of Accounts was adopted unanimously.

Simultaneously with the delegate session Utkal Grameen Bank Retired Officers' Association was also formed.

The election to the post of office bearers and Executive Committee Members was conducted by Com. Jagganath Behra as Election Commissioner. The following principal office bearers were elected unanimously.

- i) Chairman – Com. G.B. Mohanty.
- ii) President – Com. Girija Sankar Babu.
- iii) General Secretary – Com. Chandra Sekhar Pal.
- iv) Treasurer – Com. Profulla Kumar Sabet.

The elected leaders were ushered in to the dias and felicitated. The Retired Officers' Association also elected following principal Office bearers.

- i) President – Com. P.K. Tripathi
- ii) General Secretary – Com.K.R.S. Pattanaik.
- iii) Treasurer – Com. Bhaskar Pradhan.

With the agenda of the delegate session being concluded the 5<sup>th</sup> Biennial Session of Utkal Gramin Bank Officers' Association came to an end.

AIRRBOF greets the New leaders and pledges full help & support.



## **PRESS CORNER:**

### **RBI GREEN SIGNALS HIKING SERVICE CHARGE ON DEPOSITS BY NON-CHEST BRANCHES**

The Reserve Bank of India on Thursday said currency chest holding branches can raise the service charges to be levied on cash deposited by non-chest bank branches to Rs. 5 per packet of 100 pieces from the existing rate of Rs. 2 per packet.

The central bank said the revised charges will come into effect from February 1 and are aimed at incentivising improvement in service to non-chest branches under the linkage scheme. The service charges were last revised in April 2007 to Rs. 2 per packet of 100 from Rs. 2.

Currency chests are storehouses where banknotes and coins are stocked on behalf of the RBI. The currency management infrastructure in the country consists of a network of 19 issue offices (of the RBI), 4,132 currency chests (including sub-treasury offices and a currency chest of the RBI at Kochi) and 3,813 small coin depots of commercial, cooperative and regional rural banks spread across the country.

According to the RBI's latest annual report, the Lead Bank Scheme for currency management was introduced on a pilot basis in 2013 by identifying one district in each State and assigning it to a lead bank, which, in turn, would be responsible for ensuring that genuine needs of members of the public for clean notes and coins are met through coordination with currency chests and small coin depots located in that area. The lead bank, as a nodal bank for currency management, attends to issues such as linkage of non-currency chest branches to currency chests, facilitation of supply and issue of banknotes and coins to and from bank branches in the area, prompt routing of diversion requests, and redress of public grievances.

The nodal BCM undertakes functions relating to spreading awareness/literacy campaigns on security features of genuine notes and exchange of mutilated notes. After a year of operation, the scheme it was decided to continue it in 2014-15; it is under review for 2015-16, the report said.

**Source – The Hindu Business Line, 22<sup>nd</sup> January 2016**

### **BANKS MUST BE SHUT ON ALL SATURDAYS, SAYS UNION**

The need for bank holiday on all Saturdays must be stressed at the next bipartite settlement with the Indian Banks' Association (IBA), said the leader of a leading bank union.

Addressing the inaugural session of the triennial conference of Corporation Bank Officers' Organisation (CBOO) in Mangaluru, Y Sudarshan, president of the All-India Bank Officers' Confederation (AIBOC), said that the 10<sup>th</sup> bipartite settlement helped bank employees get holidays on second and fourth Saturdays of every month. In the next bipartite settlement, if the unions could get all Saturdays to be declared a holiday for banks, it will be a big achievement, he said.

Taking exception to the process of banks calling its officers to work on Sundays and other holidays, he said this matter has been brought to the notice of the IBA but the issue is yet to be resolved. "Even bank officers need time to spend with their families," he added.

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Stating that there is pressure on public sector banks to cross-sell other products, he said bank unions have to oppose this. "Our own deposits are being converted into mutual funds and insurance products. This is a major threat to the banking industry," he emphasised.

Speaking on the occasion, Prabhat Patnaik, professor emeritus of Jawaharlal Nehru University, said that the Green Revolution would not have been possible in the country if there was no nationalisation of banks then. There was an increase in credit to the agriculture sector following nationalisation of banks, he said. Opposing any move to privatise public sector banks, Patnaik said it will be an irony if that is done.

**Source – The Hindu Business Line, 26<sup>th</sup> January 2016**

### **RBI PUSHES FOR BANK BRANCH IN EVERY VILLAGE WITH OVER 5000 RESIDENTS**

Reserve Bank of India said on Thursday that every village with a population over 5000 should have a bank branch by March 2017 & asked the SLBC's to identify such villages without a bank branch in their State. Earlier in 2012, State level Bankers' Committee (SLBC) Convenors were asked to prepare a roadmap to provide banking services in all unbanked villages with population less than 2000.

For increasing bank penetration and financial inclusion, brick and mortar branches are an integral component, the RBI said in a notification today, and said it has decided to focus on villages with population above 5000 without a bank branch of a scheduled commercial bank.

"Accordingly, SLBC Convenor banks are advised to identify villages with population above 5000 without a bank branch of a scheduled commercial bank in their State," RBI said.

**Source – The Hindu Business Line, 1<sup>st</sup> January 2016**

### **BANK OFFICERS TO STRIKE WORK ON BUDGET DAY**

The Bank Employees Federation of India (BEFI) has extended its support to the February 29 nationwide strike announced by the All-India Bank Officers Confederation (AIBOC).

The AIBOC, the largest officers' union in the banking industry, has asked its members to go on a day's strike to press for the reinstatement of PV Mohan, its all-India vice-president, who was dismissed by Thrissur-based Dhanlaxmi Bank. The bank management had dismissed Mohan, a senior manager, last year for alleged indiscipline. Mohan is also the General Secretary of the Dhanlaxmi Bank Officers' Organisation. Following a 32-day strike by Dhanlaxmi Bank officers, the management had agreed, in the presence of the Kerala Home Minister, to take Mohan back. However, union leaders say that the bank management went back on their commitment and refused to reinstate Mohan. A sit-in protest has been going on in front of the bank's head office since 1<sup>st</sup> January, 2016.

CJ Nandakumar, General Secretary of BEFI, Kerala, said the members would participate in all protest marches and sit-ins to demand the immediate reinstatement of Mohan.

**Source – The Hindu Business Line, 23<sup>rd</sup> February 2016**

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### **CA BODY BLAMES SURGING BAD LOANS ON 'IMPROPER APPOINTMENTS'**

The 'improper' appointment of statutory auditors by public sector banks is one of the reasons for the mounting non-performing assets (NPAs), according to M Devaraja Reddy, President of the Institute of Chartered Accountants of India (ICAI).

"The quality of auditing in banks has come down and NPAs could have been lesser by 30 to 40 per cent, if there had been transparency," Reddy, who took over as the 64<sup>th</sup> president of ICAI recently, said at a press conference here. Taking exception to the autonomy given to banks by the RBI in appointment of statutory auditors, he said banks were managing with only one or two auditors for statutory purposes, compared to the earlier practice of having six to eight auditors. "This is bringing down the element of collective wisdom," he said.

Alleging that bank managements were appointing auditors who will be 'favourable' to them, he also faulted the process of bank branch auditing. "Only 20 per cent of branches are being audited and most of the advances are not scrutinised," he claimed, adding that banks were taking cover under core banking solutions when questioned.

Reddy also expressed his displeasure over RBI 'not listening' to requests to revert to the old system of the ICAI appointing statutory auditors for banks. "We even met Governor Raghuram Rajan, who only said he would look into the matter."

Under the autonomy package to banks, they were empowered by the Centre to appoint their own statutory auditors, beginning 2008-09.

**Source – The Hindu Business Line, 19<sup>th</sup> February 2016**

### **DEPOSITORS' BODY SEEKS ASSURANCE FROM RBI ON BANKS' FINANCIAL HEALTH**

With many public sector banks either reporting huge losses or slide in net profit in the third quarter due to loan loss provisioning, a bank depositors' body has urged the Reserve Bank of India to come out with a statement – reassuring all stakeholders, especially depositors – about the present state of these banks' financial health and solvency status to prevent any crisis of confidence.

Bank deposits (savings, fixed, current, and recurring) up to Rs. 1 lakh, including principal and interest, are insured with the Deposit Insurance and Credit Guarantee Corporation. All public sector banks are government-owned. The All India Bank Depositors' Association (AIBDA), in a statement, said many bank depositors have been making anxious enquiries with it about the implications of sharply contracting profitability of banks as well as their rising bad loans, on safety and security of bank deposits.

It also flagged the issue of adverse impact that growing bad loans tend to have on the rate of interest payable to depositors on their bank deposits. The depositors' body felt this is the most opportune time for the Centre, as the predominant owner of public sector banks, to formulate a comprehensive white paper for the benefit of the public, and bank depositors in particular, about the safety and stability of their bank deposits. AIBDA believes there is an implicit sovereign guarantee associated with all bank deposits held by public sector banks.

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The intervention of the Finance Ministry at this stage would also go a long way in boosting the confidence of depositors. The Association referred to the fact that in its submissions to the Reserve Bank of India from time to time, it has raised the issue of growing incidence of bad loans. “We have also been confident that through its regulatory supervision and constant exhortation to banks, the RBI effectively ensures that banks improve their asset quality, resolve issues of recovery of bad loans, strengthen their due diligence, credit appraisal, and post-sanction loan monitoring systems.

“We strongly believe that these are the imperatives for minimising and mitigating the problems of rising bad loans, and thus sustaining the confidence of bank depositors,” the statement said.

**Source – The Hindu Business Line, 17<sup>th</sup> February 2016**

### **RETURNS FROM SMALL SAVINGS TO DIP FROM APRIL 1**

Small savings schemes, especially those with a maturity of less than five years, will give lower returns from April 1, 2016. The Finance Ministry on Tuesday announced a new interest rate regime for such schemes that will be aligned to the yield on government securities.

The return on short-term small savings schemes has been cut by 25 basis points. “The 25 basis point spread that one-year, two-year, and three-year term deposits, and Kisan Vikas Patras as well as five-year Recurring Deposits have over comparable tenure government securities, shall stand removed from April 1, 2016 to make them closer in interest rates to the similar instruments of the banking sector,” said a Finance Ministry statement. At present, these schemes offer interest rates of 8.4 per cent while the 364 day T-Bill has a yield of 7.27 per cent and the 10-year government security (2025) has a yield of 7.92 per cent.

However, in the case of long-term small saving products such as the five-year Term Deposit and National Saving Certificates and PPF, the Finance Ministry has decided to retain the spread of 25 basis points over government securities. At present, they offer a return of 8.4 per cent to 8.8 per cent. Similarly, the interest rate for Sukanya Samriddhi Yojana (9.2 per cent), the Senior Citizen Savings Scheme (9.3 per cent) and the Monthly Income Scheme (8.4 per cent) has been left untouched. These will also enjoy the existing spread over the government security of comparable maturity – of 75 bps, 100 bps and 25 bps respectively. “These are savings schemes based on laudable social development or social security goals,” said the Finance Ministry, adding that even on the spread over government paper for long-term securities has been “left untouched as these schemes are particularly relevant to the self-employed professional and salaried classes. This will encourage long term savings.”

The objective is to help banks lower deposit rates and eventually lower lending rates in line with the Reserve Bank of India’s monetary policy. Small savings schemes are preferred over fixed deposits due to their high returns. Interest rates will now on be recalibrated from April 1, 2016 on a quarterly basis. Premature closure of PPF accounts of over five years maturity will also be permitted in cases of serious ailment, higher education of children but with a penalty of one per cent cut in the interest. Under the new norms, the biannual compounding of interest for 10-year and five-year NSC and KVP will be done on an annual basis.

**Source – The Hindu Business Line, 17<sup>th</sup> February 2016**

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### **INTEREST RATE ON PROVIDENT FUND RAISED TO 8.8%**

The Employees Provident Fund Organisation (EPFO) has increased the interest rate for PF deposits for 2015-16 to 8.80 per cent from 8.75 per cent. This will benefit over 40 million subscribers in 8.60 lakh establishments. This is only an interim announcement based on the Budget estimates for the current financial year.

“We will revisit the interest rates based on the revised estimates,” said Minister for Labour & Employment Bandaru Dattatreya to newsmen after chairing the 211th meeting of Central Board of Trustees, Employees' Provident Fund to consider EPF interest rate for 2015-2016. Union leaders present in the meeting had wanted the rate pegged at 8.90 per cent. However, the Minister said that it was not possible to give 8.90 per cent.

The Budget income for 2015-16 will be Rs. 34,834 crore. An 8.80 per cent interest payout will leave the organisation with a surplus of Rs. 673 crore. However, if the interest rate was kept at 8.90 per cent, the surplus will drastically reduce to Rs. 285 crore, he said.

The revised interest rate was fixed after considering issues like international recession, expected drop in interest rates in India and the 7<sup>th</sup> Pay Commission. “However, we need to safeguard workers' interest,” he said.

Dattatreya also launched a Compliance Analysis & Monitoring System. Principal employers registered with EPFO will upload contract details awarded to be made available to EPFO for checking. The new system will ensure transparency and reduce the cost of compliance for principal employers and result in proper coverage of eligible employees, he said.

A release quoting Shankar Aggarwal, Secretary (Labour & Employment), said that online facility to upload work orders, outsourced job contracts and contract workers related information will provide effective e-governance system in the compliance set up of EPFO. It will enhance the coverage to extend EPF and allied benefits to eligible employees. Under the compliance system, after the data is collected from different sources, they will be forwarded to field offices with specific direction.

Field offices will take compliance action and upload the report. With the new facility, more number of contract workers will be brought under EPFO without causing undue interruption in the work of principal employers.

The Minister also unveiled the Simplified Pension Claim Form 10D (UAN) and single page Pension Payment Order and the Simplified Pension Claim Form 10D (UAN) and single page Pension Payment Order under the Employees' Pension Scheme, 1995.

**Source – The Hindu Business Line, 17<sup>th</sup> February 2016**

### **POSTAL DEPARTMENT AHEAD OF SBI IN DIGITAL CONNECTIVITY**

The postal department has surpassed State Bank of India, the country's largest lender, in terms of digital connectivity even before the launch of its payments bank, Union IT and Communications Minister Ravi Shankar Prasad said on 15<sup>th</sup> February 2016. “The core banking solution (CBS) or digital connectivity of the postal department has surpassed the State Bank of India's digital connectivity,” Prasad said at a special session on the third day of the ongoing ‘Make in India’ week.

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There are over 1.50 lakh post offices across the country, of which 1.25 lakh are in rural areas, and the department had embarked on CBS connectivity a few years ago. The department is all set to launch a payments bank by March 2017. SBI Chairman Arundhati Bhattacharya had in the past expressed reservations about the entry of payments banks.

The postal department has received in-principle nod to start a payments bank, along with 10 other players, including corporate houses like the Mahindras, the Birlas, Reliance Industries and telecom firms. Successful applicants have been given 18 months to start operations. They are required to present a final plan of operation to the Reserve Bank of India before final nod.

Speaking at the special session on IT and electronics, Prasad appealed all to invest more in the country, saying India will be a \$1 trillion opportunity for digital companies in five years. He also listed consumer, defence, automobile and medical electronics as sub-sectors providing opportunities.

**Source – The Hindu Business Line, 16<sup>th</sup> February 2016**

#### **CENTRE MULLS SETTING UP BANK TO DEAL WITH BAD LOANS**

The Centre is looking at a proposal to set up a bank or a company to deal with the burgeoning bad loans of state-owned banks, even as views on the issue are “vertically divided”.

“We have discussed it (setting up an asset reconstruction company), but see the problem so far is that opinions are almost vertically divided on the issue,” a senior government official told PTI. According to some bankers, setting up a ‘bad bank’ would be a sound thing to do given the current situation where PSU banks are burdened with mounting non-performing assets (NPAs) or bad loans.

“As a concept it (bad bank) is good. It has to be structured in such a way that it efficiently functions. It’s not a bad idea given the current times,” Punjab National Bank, Managing Director, Usha Ananthasubramanian said.

Few bankers, on the other hand, have also expressed the concern that banks would tend to shift their stressed assets to such an institution and it may lead to laxity on the part of the lenders. Reserve Bank of India, Governor, Raghuram Rajan had said recently there was “no need” to set up a separate bad bank to deal with stressed assets of public sector lenders.

“In my mind the banks are already trying work on their balance sheets... Public sector banks themselves have the backing of the government, so there is no need to create a new entity that has the backing of the government. The issue is now to clean it up,” he said.

Rajan had also said that the pricing of assets of a government-owned bad bank could get entangled with the Comptroller and Auditor General or the Central Vigilance Commissioner. As on September, the gross NPAs of PSU lenders had increased to Rs 3.01 lakh crore as against Rs 2.67 lakh crore in March.

**Source – The Hindu Business Line, 18<sup>th</sup> February, 2016**

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**BAD BANK TO TAKE OVER NPAS AN OPTION**

A state backed “Bad Bank” that would take over non-performing loans, as has been agreed for Italy, could also be an option for other countries, the head of Europe’s new banking resolution authority said on 17<sup>th</sup> February, 2016.

“Italy has come up with a construction for a Bad Bank that uses a market solution without state aid”, the head of the single resolution board, Elka Koenig, told the daily Handelsblatt. The solution “could also be suitable for other countries”, she added, pointing out that “Germany had a good experience” with such a solution.

**Source – The Hindu Business Line, 18<sup>th</sup> February, 2016**

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