AIRRBOF News Letter
August, 2016
Sky is not the limit. we cover it...
The Voice of All India RRB Officers' Federation
Vol - XXIII SILIGURI No. 08

EDITORIAL

NPAS: BANKS ALONE ARE NOT TO BLAME

The non-performing assets (NPAs) in the Indian banking system have become matter of heated discussion in the Parliament, media and the financial markets at home and abroad. The continuous one-way movement of the NPAs has been posing a threat to the stability of the country's financial system and the economy as such.

The share of NPAs in banks' total advances is moving close to the double-digit level while the percentage of stressed assets has already crossed 11 per cent. Realising the severity of the problem and the ineffectiveness of the Debt Recovery Tribunals (DRTs) or the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, the Centre now proposes to enact a new debt recovery bill.

What was considered an issue concerning public sector banks (PSBs) alone assumed alarming proportions. It has engulfed the entire industry during the past two years, threatening the economy itself, with continued high interest rates, poor investments and low credit off take.

Industries and enterprises, big and small across the spectrum, have become sick, with exceptions such as consumer goods, pharmaceuticals and utilities such as telecom and transport.

The now prolonged downturn in the world economy, India not being an exception as is being projected, and the falling commodity prices have contributed to the growth of NPAs in a greater measure. It is, however, ignored that the long delays and gestation periods of several infrastructure projects caused distress in the banks' assets, and the mounting NPAs.

The failure of the road, bridge, coal and power projects, accounting for a major chunk of the NPAs can't be blamed on the world economy. The reasons are homegrown and the governments can't absolve themselves of their responsibility.

If *ab initio*, the inadequate and poor risk assessment of the proposals by the banks themselves began the process, the policies and procedures pursued by governments and their bureaucracies too played a significant role. Delays in land acquisition, absence of, or uncertainty in, policies and the typical bureaucratic red tape, have added to the woes of the borrowers for infra projects.

Warring political groups create hurdles in the smooth implementation of decisions taken, spearheading opposition to the projects over their location and supporting agitations. Both, the enactment of legislation and its implementation was never smooth. Policies kept changing with changes in governments. Worse, the governments did not even assume responsibility for the about-turns that crippled many a project.

Resistance to toll collection in road and bridge projects became a political weapon forcing some States to stop collections altogether. In such cases, compensation to promoters was neither adequate nor timely. Continuous tinkering with tariffs or collection of user development charges in case of rail and airport projects left both the project promoters and the lenders in a quandary, upsetting the revenue projections.

The bureaucracy and tax authorities operate in a world of their own, oblivious to the market realities. Their interpretation of law is always aimed at meeting their targets for filling coffers of governments. Violation of law or well-settled decisions or awards of the arbitrators, tribunals and courts, is carried out routinely. Valid precedents are ignored as well.

Appeals against adverse awards and judgements are made without proper examination of the merits; nor are they based on sound legal advice. Some cases are taken right up to the Apex Court, leading to accumulation of a large number of cases and taking unduly long time for settling claims/payments. In the face of such unpredictable and uncertain delays, the debt burden only mounts. The promoters fail to service the debt or honour their commitments for repayment of the loans.

Notwithstanding the well-intentioned procedures for remedying the situation, such as provision for arbitration or creation of tribunals, dues and claims of promoters remain outstanding for years. Demands from the government departments or the invocation of bank guarantees without much thought, cause immediate distress. They can give rise to liquidity crunch even for the well-established industries or projects. Strict timelines for decisions by various authorities including arbitrators or tribunals should be in place.

And once a decision emerges once again either to contest or settle any claims should be time bound, failing which bank rate of interest should be paid. Action should also be taken against the erring executives.

Cases where a project suffers due to changes in the governments' policies, those come under the *force majeure* clause of a contract, are ignored. An example will suffice to describe the ordeals.

A State government abruptly banned stone quarrying in their State, upsetting the cost benefit calculations and time schedules made in the case of the road projects in progress.

The contractors had also to make alternate arrangements to procure metal from other States, causing longer lead times and increased costs. The government chose to blame the contractors for delays in execution and began imposing penalties or with holding payments. They ignored the genuine reasons for the impasse.

The claims of contractors were either rejected or kept in abeyance, despite decisions in favour of the contractors by the administrators, arbitrators or tribunals. Obviously, the interest burden makes many projects unviable. Also, the failure to pay dues in time, due to the delays in receipt of payments, results in their accounts becoming NPAs.

But, who carries the burden? The major chunk of the NPAs being from the PSBs, the Centre, as the major stakeholder, is compelled to recapitalise the banks in addition to suffering loss of income by way of taxes from the projects as well as the banks.

And, ultimately, taxpayers have to bear the burden of additional taxes and cesses.

It is hoped that the policy and legislative initiatives taken by the present government will, to some extent, mitigate the problems. But much depends on the spirit with which bankers, the promoters and the bureaucracy respond to the concerns and bring about the necessary changes in the environment.

ENRICH YOUR KNOWLEDGE:

INTEREST RATES AN INSIGHT

Interest can be described as the price demanded by the lender from a borrower for the use of the lender's money. Though, in exceptional circumstances, interest can be agreed as a fixed amount, irrespective of the principal invested and the period for which it is invested; generally interest is agreed at a particular rate for an agreed period. Interest is mostly expressed in terms of annualized percentage, which is called a rate of interest. Interest can be termed as fees paid by borrower to a lender on borrowed amount of compensation for foregoing the opportunity of earning income of utilizing it otherwise. In simple terms, interest for a lender is kind of rent of money. For a commercial borrower, it is a cost of capital for his business. For a personal borrower, it is a cost of preponing consumption.

Generally, interest is paid at the agreed rate and it is payable periodically, by the lender to the borrower. Unless otherwise agreed upon, interest accrues to the borrower in the daily basis. If the interest amount is not paid to the lender, it can also be compounded at the agreed rate. Though accrue on a time proportionate basis, the lenders and borrowers can agree to settle the same after a particular period, on compounded basis. Compounding of interest envisages not only paying interest on unpaid accrued interest, which remains with the borrowers of the contracted time. When interest is not compounded, it is called simple interest.

Major factors affecting Interest rates

The major factors having an impact on the interest rates in an economy are as follows.

Monetary policy

A central bank in the country controls money supply in its economy through its monetary policy. If it loosens the policy, it expands money supply, thereby increasing liquidity. Higher liquidity results in a higher supply of credit. If the demand for credit is not matching with the supply, the interest rates tend to fall. The policy measure of increase in money supply can push economic growth but can result in higher inflation. When the central bank tightens the money policy, interest rates tend to rise in the economy due to reduced supply of credit. Such a move may help in reducing inflation. The central bank has to do a balancing act. The change in repo rates can influence the rate of interest in an economy and they have positive co-relation.

The growth rate

High growth rate in an economy may increase the demand for credit thereby causing an upward pressure on interest rates. On the contrary, slowing growth rate reduces the need for credit, thereby having a negative pressure on the interest rate. When the economy is growing at the normal pace, the long term interest rates can remain stable, unless intervened by the central bank. Generally, the central bank does not allow pure economic forces to play and while the economy is growing, it may try to control the interest rate by measures such a adjustment of CRR, SLR etc.

Liquidity

The global liquidity levels at a given time as well as the local liquidity in the economy of a country can impact interest rate therein. When liquidity is high, the interest rate can remain low unless there is some other pressure of factors such as slow economic growth, high inflation, civil unrest etc. Lower liquidity will tend to increase the cost of capital, which is given in the form of interest. Excess liquidity can give impetus to carry trade based on currency movements, if the interest rates are low. In such a transaction, money is borrowed in a currency in which interest rates are low and it is lent at high interest rate in some other currency, mostly in some other country. In an economy in which, money is following in due to carry trade, the interest rates tend to soften. If they soften beyond a limit so as not to remain attractive, it may result in reversal of carry trade. Likewise, if the interest rates in the currency of the country from where the carry trade has originated goes up, the funds may flow back to the country of that currency, unwinding the carry trade.

Uncertainly the Environment

When there is economic or political uncertainly in a country, the risk of investment increases resulting in hardening of interest rates in its economy. More the risk the lender needs to take, he demands higher rate of interest on the capital lent. When a country is going through an economic turmoil, the interest rates tend to harden substantially, not only due to risk of capital but increase in risk of doing business, which may result in reduced probability of getting the principal back, as per the agreed terms. Similarly due to political crisis or situations of war of civil unrest, the interest rates may harden due to uncertainly, higher risks, risk to the security etc. Lenders are risk averse. More the risk, they seek more returns and so higher rate of interest.

Inflation

Interest rates in a currency have a positive correlation with the inflation of the home economy of the currency. If inflation is high in a country, it tends to increase interest rates in that economy. In an economy with high inflation, the reward required for the capital borrowed also has to compensate the lender adequately for reducing the purchasing power of the money lent over the term of the loan. In an economy wherein inflation is low, interest rates tend to seek lower level. Generally in an economy, over a long period, interest rates are higher than the inflation. The interest rates, net of taxes, tend to be at least equal to inflation. Otherwise, person parting with the money and taking risk of lending is not benefitted at all his purchasing power may go down over a period even after receiving interest.

Other Factors

Other than the economic factors mentioned above, the following factors specific to the transaction of lending can affect interest rates.

Type, cover and quality of security

Better the quality of security, lower can be the rate of interest. Security, which can be the easily encashed makes lender more comfortable and can offer better terms. If the structure of security is complex and it is not easily encashable or if it lender may have to incur substantial cost to encash the security, he may claim a more aggressive rate of interest from the borrower. Further, if the security cover of the loan is higher, the rate of interest can be lower. Security cover is the value of security as compared to the amount lent and it is expressed in terms of number of times of a loan. Higher the security cover, more the safety of lender and therefore he may soften the interest rate. Quality of security can also affect the interest rate. A security of stable valuation is preferred by the lenders. The security which fluctuates substantially in value may result in lender asking for a larger cover as well as higher rate of interest due to risk of the security.

Tenure of loan

Longer the loan period, lower could be the rate of interest, a lender takes full risk of the capital lent as soon as he parts with the money. If tenure of loan is very short, the total interest earned by the lender is quite small as compared to the money risked by him. In such a case the lender has to take the full risk of the money lent, till the money is repaid and the reward remains disproportionately meager. Therefore, for short term loans, higher rate of interest is charged. However, in case of very long term loans, interest rates can be higher than the medium term loans. In such loans, the risk increases beyond the immediately foreseeable future and therefore the lender may charge a higher rate of interest Such loans are also subject to the vagaries of market rate of interest. In fixed interest rate transactions, the yield to maturity of a loan remains constant but its market value may change. If the interest rates in an economy go up, its market value comes down and vice-versa. This happens more so in the case of loans issued in the form of bonds and debentures, which are listed for trading or otherwise tradable.

End use of the funds

If the end use of the fund is acquisition of a risky asset, then interest rates tend to be higher. A lender will lend to a business investing in manufacturing at lower rates than the business investing in research of technology as the risk of the latter is higher. If the end use is purchase of fixed assets which can be an additional security for the loan, the borrower may get softer terms. Therefore working capital loans generally carry a tad higher rate of interest than term loans given for acquisition of fixed assets.

Credit worthiness of the borrower

The credit worthiness of a borrower is based on his reputation, his net worth as well as his liquidity. The industry in which the borrower operates also makes an effect on his creditworthiness at a particular time.

A borrower operating in an industry which is not doing well has higher risk and therefore interest rate charged to him may be higher. The overall creditworthiness of a party can be expressed in its credit rating as certified by a reputed rating organisation. Better the credit rating of a borrower, lower the interest rate charged to him. Low credit rating can result in higher rate of interest being demanded and in some cases, the borrower may decide against lending" *or* may recall the loan, if the terms so permit. The rating indicates the ability of the business to pay to creditors at a given time and it does not reflect integrity or other finer virtues of a borrower. In case of small borrowers where the credit ratings are not available, various ratios of the financial position of the borrower can be considered by the lender to determine the creditworthiness and therefore the rate of interest to be charged.

Industry of the borrower

A lender can charge differential rate of interest based on the trade or industry to which the borrower belongs to. The industry with longer gestation periods may be charged higher rate of interest as compared to shorter gestation periods. The industry which has seasonal demand only in a particular part of the year may be lent at a higher rate by a lender as compared to the business in an industry which is not seasonal.

Negative Interest

Interest being a type of fee paid by a borrower to the lender, it always used to be an income of the lender and an expense for the borrower. However, modern economy has been posing newer challenges to the world, which are dislocating the old Reliefs and destroying the old theories. After the recent recession of 2009, the world has been finding it very difficult to bring economies of many developed countries out of low growth / stagnation. To give impetus to investment as well as expenditure, the developed economies encouraged borrowing. The interest rate is the main hurdle which reduces demand for credit and the central banks of many developed countries kept on reducing the benchmark interest rates in their respective economies to encourage the borrowers. The interest rates in developed economies like the US, Euro Zone, UK etc., were gradually reduced to near zero levels a few years back. Though some economies like the US could recover due to the cheap credit doled out, the economies of Euro Zone and Japan have continued their stagnation. A few months back, to give push to growth, the European Central Bank reduced its policy rate of interest below zero percent, which means the lender will have to pay interest to the borrower for keeping his deposits. Since January 2016, even Japan adopted this policy of negative interest rate. Some countries like Sweden, Denmark and Switzerland have also adopted negative interest rates. Though the phenomenon does not appear logical, as central banks could dedicate their terms in their respective economies, this policy has been adopted. This policy punishes the banks which hold cash instead of extending loans to business or to other weaker lenders to lend further. As an affect of negative rates, trillions of Dollars worth Government Bonds worldwide are now offering yields below zero meaning that the investors buying the bonds and holding them to maturity will not get their full money back. As of now many banks are reluctant to pass negative rate of interest on their customers, due to fear of losing them; although it is applicable for inter-bank borrowings. However, sooner than later, they will have to fall in the line and start charging their customers.

Major affect of low interest rates

1. A lender gets less income thereby affecting his/its income and his/its purchasing power to that extent.
2. Lower interest rates reduce the income in hands to many investors investing in deposits and fixed income earning securities, thereby reducing their taxable income and as an effect, it reduces the tax payment by the subjects. Lower interest rates can create a shortfall in tax collection, unless budgets are accordingly adjusted.
3. Citizens are especially senior citizens living on the interest of their investments have lesser interest income, which reduces their purchasing power. Low interest rates can affect their ability to buy necessities and medicines, which can hamper their welfare.

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4. Charities which run their operations out of the income earned from the deposits received from the donors have less income in their hands to use for the purpose of their object and administration. They will have to rely more on the donations which are in nature of current income for their operations.
5. Low interest rates can boost the economy as the entrepreneurs can borrow at cheaper cost for their businesses. It also increases the profit of businesses as interest is one of the major costs.
6. Very low interest rates can spur consumption by way of increased spending as the consumers have less incentive for saving. Increased consumption can boost the economy to an extent but it can hurt a developing economy which is in need of fresh capital.
7. The low interest rates can result in cheaper credit to consumers for buying consumer durables. It may lead to increase in sale of consumer durables such as cars, televisions, electronic gadgets etc., as well as expenditure on holidays and entertainment.
8. Low interest rates may generate a higher demand in an economy thereby increasing economic activity and correspondingly pushing up the growth rate.
9. Lowering interest rates may result in cheaper credit and lesser option for investors to invest their capital, which may result in a rise in stock and property prices in that economy and continuation thereof can create a bubble like situation.
10. When interest rates are low, investors get more desperate to increase their earnings and therefore may patronise riskier class of assets. Over exposure to risky assets is against the interest of investors, as well as the economy.
11. Cheaper credit may push up capital intensive investment replacing labour which over a long period may create less job opportunities and therefore unemployment in an economy.
12. Low interest rates may increase consumerism in a society, which may result in excess personal borrowing by the subjects. If the economy slows down or goes into recession that may hamper the ability of the borrowers to repay the loans, resulting in substantial bad loans thereby derailing the banking system as well as economies. Excessive credit defaults or bankruptcies may result in low morale and low consumer confidence, which may affect the overall health of an economy.
13. Lowering of interest rates can give a boost to corporate profits due to lower expenses, thereby increasing the share prices of the companies, especially those which have large outstanding debt and may trigger a stock market rally. However, the sustenance of the rally is dependent upon the growth of the economy.
14. Lowering of interest rates can give a boost to corporate profits due to lower expenses, thereby increasing the share prices of the companies, especially those which have large outstanding debt and may trigger a stock market rally. However, the sustenance of the rally is dependent upon the growth of the economy.
15. Lower interest rates give a fillip to the housing sector as a borrower can borrow more amounts with the commitment of the same equated monthly installment (EMI).

16. The fixed deposits and the bond/debenture holders and generally the sufferers in the low interest regime. They can their allocation to this asset class in such a phase. However, lowering interest rates generally result in lowering yield on debt securities which results in increase of bond/debenture prices carrying fixed coupon, which may give some respite to the bond/debenture holders.

17. Low interest rates trigger as increase in appetite of investors for precious metals and precious stones, as low deposit rates can make investors partly shift their asset allocation to this asset class.

18. Reduction of interest rates can cause pressure on the currency of the country as capital may flow out to other countries, where the interest rates are higher. However, if the currency of the home country is basically strong and inflation therein is low, then the outflow of currency can get restricted, giving stability to the economy as well as the currency.

On one hand, lower interest rates may generate growth by increasing consumption and investment but on the other hand dampen the growth due to reduction in purchasing power in hands of certain sections of society and institutions, which are dependent on interest income. The final effect depends on the weight age of the respective factors prevailing in that economy.

The Indian scene

India has been struggling to cope with high interest rates prevailing in its economy for many years. One of the major reasons for the same is high inflation prevailing in its economy. In the current global scenario of very low interest rates prevailing in developed economies, this high cost of capital has been hurting Indian businesses. It has slowed down investment activity. Coat of capital being high, it has also affected the cost of production thereby eroding the cost efficiency of the Indian businesses, as compared to many developed economies, in which borrowing costs are negligible. The Government has been very much in favour of reduction of interest rates but the Reserve Bank of India (RBI) had been very cautions as it feared that the reduction may fuel demand push inflation in the economy, already suffering from inflation due to supply side constraints. Over the last few years, systematic efforts have been made to reduce the inflation in the country, especially by strengthening of the supply side, by domestic production as well as imports. The efforts have started yielding results and consumer price inflation (CPI) index has come down from 9.70% in 2008 to 5.72% in 2016 and it is expected to ease further. During the period, the RBI has reduced the benchmark interest rates in the form of Repo rates from 9% in 2008 to 6.50% now; and this is not the end of the reduction process. If the inflation remains in control, as is expected in the near future, the interest rates can further come down. Investors need to align their investment strategies to falling interest rates in days to come.

India has recently started its journey towards low interest rates and it is likely that on the back of sustained economic growth, the country may continue its journey towards further lowering of the rates, albeit gradually. Many of the developed economies in the world have low interest rates which are sustained for long periods of time. If India continues its growth at the current rate and can control inflation, the interest rates in the economy may gradually reduce. Indian investors as well as consumers are not accustomed to low interest rates. Investors will have to adjust their investment strategies to fit in to the new environment. Senior citizens as well as institutions relying more on interest income for their sustenance will have to realign their consumption /spending patterns. Lowering of interest rates may hit hard this particulars section of the society. On the flip side, the business will have reasons to cheer due to low interest cost and EMI paying consumers will get delighted.

Conclusion

Interest rate is one of the major tools on the monetary policy of central bank. In the recent years, the RBI has made a calibrated use of the same in spite of the pressures from various quarters. This has resulted in lowering of inflation in the economy without effecting the growth much. Lowering of interest rates over a period will give great advantage to the economy as costs can go down and become more competitive. This will also support the 'Make in India' movement.

Courtesy – Forum of Free Enterprise

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 45:2016 12th July 2016

STRIKE CALLS ON 12TH AND 13TH JULY, 2016

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 34 dated 11th July, 2016.

"Our members may be aware that All India Bank Employees Association and All India Bank Officers' Association have given a call for All India Strike in five Associates Banks on 12th July, 2016 and All India Strike in all banks on 13th July, 2016 opposing attempts to denigrate Public Sector Banks and protesting against proposed merger and consolidation of Banks and have sought our support.

We request all our Affiliates / State Committees / members to extend fraternal support to the two days strike call which is given by above mentioned two organization and express our solidarity with them".

Circular # 46:2016 13th July 2016

NATIONWIDE STRIKE ON 29TH JULY, 2016
STRIKE NOTICE SERVED

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 35 dated 13th July, 2016.

"Please refer to our earlier Circular No. 2016/28 dated 12.05.2016 in which we had apprised about our decision to participate in 29th July, 2016 Strike call and the action programmes as decided by UFBU in its meeting dated 11.05.2016.

The Convenor, UFBU has served Notice for the strike to IBA which is attached herewith the Circular. All our Affiliates are requested to be in preparedness for the strike action on 29th July, 2016. All State Committees are requested to coordinate with the UFBU State Committees for implementation of action programme.

MARCH ON COMRADES!
MAKE THE STRIKE GRAND SUCCESS"!!

Circular # 47:2016 15th July 2016

NEWS ROUND UP

The decision was unanimously taken by UFRRBU on 6th June, 2016 to observe strike from 27th July to 29th July, 2016 in RRBs also synchronising with UFBU call for Strike on 29th July, 2016. UFRRBU decided that strike shall be to demand (i) Introduction of Parity in Pension and (ii) Parity in Other Allowances & Benefits and Opposing Move for privatisation of RRBs. Accordingly, AIRRBOF issued Strike Notice to GOI, DFS, 56 Chairmen of RRBs and NABARD with copy to the Chief Labour Commissioner (Central) on 9th June, 2016. Surprisingly, totally deviating from the decision of UFRRBU, Com. D.N. Tivedi who was elected as Convenor only for one year, issued Strike Notice on 28th June, 2016 including host of other issues where the signature of the GS, AIRRBOF was also included without my knowledge. We immediately protested the move of so called Convenor, UFRRBU. General Secretary, AIGBEC & AIGBOC also lodged strong protest against such sinister move of the Convenor, UFRRBU. Regardless of the decision of the Meeting dated 6th June and protest by three major constituents viz., AIRRBOF, AIGBEC and AIGBOC, the so called Convenor persisted with his Strike Notice. We have informed authorities vide our letter dated 15th July that we shall observe strike only on the issues notified in our Strike Notice as per decision of UFRRBU. Please note that UFBU had given call for strike on 29th July, 2016 only protesting the reform measures of Govt. of India in the Banking Industry. Dy. CLC (Central) called AIRRBOF & UFRRBU for conciliation on 21st July, 2016 at 11:30 AM. We have also sought appointment of Joint Secretary, DFS to discuss the three issues involved in our Strike Notice. It is to be noted that if so called Convenor, UFRRBU persisted with such move, the constituents of UFRRBU shall meet on 20th July, 2016 morning to decide future course of action. **As of now, three days strike from 27th to 29th July, 2016 very much stands and we are duty bound to make the strike a grand success.**

2. General Secretary, AIRRBOF visited branches of Himachal Pradesh Gramin Bank and J & K Gramin Bank in Himachal Pradesh and J & K (Ladakh) to interact with the membership working at very difficult branches. General Secretary also held group meeting at different centres. The visit had immensely motivated the officers working at the remotest corners of our country. We are collating all the information on infrastructure and difficulties as well as amenities available for the officers for taking up with concerned authorities.

3. We are receiving reports from different RRBs that officers had broken away from the Composite Unions and establishing separate Officers' Associations. They are in the process of taking affiliation with AIBOC/AIRRBOF.

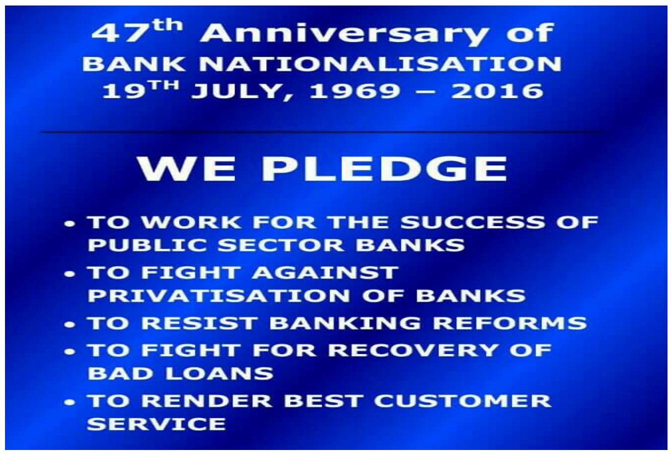
4. President, General Secretary and other Senior Office Bearers shall be camping in New Delhi from 19th instant evening for different Organisational activities. We shall share the details in due course.

Circular # 48:2016 19th July 2016

OUR GREETINGS ON BANK NATIONALISATION DAY

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 36 dated 19th July, 2016.

"On behalf of the entire Executive Committee of All India Bank Officers' Confederation and on my personal behalf, I convey my heartiest greetings and good wishes on the 47th anniversary of Bank Nationalisation to all of you and the entire workforce working in the Banking Industry.



The Bank Employees welcomed the historic move of the Government under the leadership of the then Prime Minister Mrs. Indira Gandhi with the objective of expanding the Banking services to the common masses for bringing parity in the society, poverty alleviation by uplifting the rural poor and downtrodden. Public Sector Banks and their employees justified the stand of the Government by expansion of Bank branches from 8262 with a total business mix of Rs. 8245 crores in 1969 to more than 1,10,000 branches with a business mix of more than Rs.1,16,00,000crores since nationalisation. The performance of the Public Sector Banks has been applauded by all policy makers and Governments of the times. Their contribution to Green, White and Blue revolutions, implementation of Government's policies and recent financial inclusion drive have earned laurels throughout the world. International Economic recession of 2008 during which many strong financial institution collapsed like playing cards did not impact Indian Banking Sector due to its inherent strength.

While the role played by the Public Sector Banks and its employees and its recent performance needs to be highlighted and these institutions required to be strengthened, the steps taken by the present Government of moving ahead with its agenda of privatization and merger is deplorable. All India Bank Officers' Confederation has decided a long drawn agitation programme to Save Public Sector institutions and Public Sector Banks in particular through agitation, rallies, demonstrations, submission of memoranda to politicians and Government authorities. United Forum of Bank Unions has also given a call for All India Strike on 29th July, 2016. We call upon all our comrades to implement all these programmes. Let us once again gear up and highlight the importance of Public Sector Banks by educating our young comrades, customers and masses with the importance of need to Save Public Sectors. Let us organize demonstrations, rallies, gate meetings today as per the programme chalked out by UFBU/AIBOC State Committees and at least have gate meetings in small towns, semi-urban and urban branches.

Let us protect the Public Sector Banks, the lifeline and saviour of Indian Economy".

Circular # 49:2016 22nd July 2016

CONCILIATION PROCESS HELD IN POSITIVE ATMOSPHERE BEFORE DY. CLC (C), NEW DELHI – FURTHER NEGOTIATION WITH DFS OFFICIALS EXPECTED BEFORE STRIKE DATE

All India RRB Officers' Federation (AIRRBOF) issued Strike Notice dated 9th June, 2016 and UFRRBU issued Strike Notice dated 28th June, 2016 to the Secretary, DFS with copy to 56 Chairmen of RRBs and CLC (Central) for holding three days strike from 27th to 29th July, 2016 to demand:

i) Introduction of Uniform Pension Scheme in RRBs in line with the Commercial Banks.
ii) Extension of other allowances & benefits as existing in Public Sector Sponsor Banks and

PROTESTING AGAINST

Move for privatisation of RRBs in line with RRB Act, 2015.

Dy. CLC (Central) called for conciliation at his office in New Delhi on 21st July, 2016 at 11:30 am. AIRRBOF was called as well as UFRRBU. President, General Secretary and Vice President of AIRRBOF namely Com. R.G. Makhija, Com. S.K. Bhattacharjee and Com. Srijan Pal attested the conciliation on behalf of AIRRBOF. The leadership of the Constituents of UFRRBU also participated. Govt. of India, DFS was represented by Shri A.K. Das, Under Secretary (RRBs) as the Joint Secretary (Ps) and Director (RRBs) were out of town.

General Secretary, AIRRBOF explained the issues and called upon the Dy. CLC and the DFS official to show their positivity by calling for negotiation with Apex Level Association/Union in time bound manner to arrive at solution. Dy. CLC also expressed his opinion that efforts should be made to resolve the issues. The other constituents of UFRRBU also explained other issues as contained in the Strike Notice issued by UFRRBU.

It was concluded by Dy. CLC (Central) that the DFS shall try to hold discussion with Apex Level Trade Unions in RRBs before the commencement of the strike on 27th July, 2016 to avert the strike. With the positive note the conciliation was adjourned.

It was agreed by all in UFRRBU as well as AIRRBOF that we shall await the call for Negotiation from DFS by early next week. It would be our endevour to avoid the path of confrontation and strike. All are affiliates should wait for our next communication.

Circular # 50:2016 22nd July 2016

ALL INDIA BANK STRIKE ON 29TH JULY, 2016

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 38 dated 20th July, 2016.

"Please refer to our Circular No. 2016/35 dated 13.07.2016 on the captioned subject and enclosing therewith the copy of the Notice Served on the Chairman, Indian Banks' Association and CMDs/MDs/CEOs of all Banks with the statement of the case which we would like to reiterate once again:

The banking industry in India witnessed sea-change through nationalization of banks in the years 1969 and 1980 with the sole aim of promoting small savings for self-sufficiency and for utilizing the banks as catalytic agents for economic growth. There is not an iota of doubt that the nationalized banks served the poorest of the poor in the country through implementation of several schemes of the Government with a social objective.

Aiming economic growth, several committees constituted by the Government suggested various measures toward reforming the financial and other economic sectors in the Country including certain recommendations, which are derogatory to the entire public sector character prevalent in the country. The implementation of those anti-public recommendations of the various committees is stoutly opposed by the Trade Unions in the banking industry since 1992.

However, the various policy decisions of the Government of India in the banking sector in the name of financial reforms, amendments to labour laws tailored to suit the needs of private and foreign players, the ongoing IR problems in IDBI Bank, the voluminous bad loans in the Banks and unwarranted concessions that are being given to defaulters, discrimination in capitalization resulting in further weakening of already weak banks depict the intention of the Government to wipe out the public sector banking system in the country to enable the private and foreign players to take over the entire banking industry under their folds.

Our country needs a very effective regulated banking system and the attempts of the Government to deregulate the entire banking system in the name of reforms is detrimental to the interests of the general public and the country on the whole. Hence, there is an imperative need to save Public Sector Banks.

Further, the move of the Government to amend the labour laws to suit the needs of the private and foreign players would affect the entire labour class in the country, which is strongly opposed by all the trade unions in the country including the Central Trade Unions.

Hence, UFBU strongly oppose the anti-public, ill-fated reform measures of the Government in the banking industry and the anti-labour amendments to the Labour Laws in the country.

Comrades, apart from the common issue as stated above, certain other issues are also long pending which need to be focused and resolved. We, therefore, request all our Affiliates/State Committees/Members to highlight the following issues of officers also during the public meetings, demonstrations, rallies, dharnas etc.

WE DEMAND:

1. Immediate appointment of Non Workmen/Officers Nominee Directors on the Boards of all Public Sector Banks.
2. Resolution of all pending issues of the last Bipartite Settlement particularly:
   a. DA Neutralisation
   b. Revision in family pension
   c. Pension updation/up gradation
3. Extension of existing pension to all Officers/Employees who joined the Banking Industry after 01.04.2010 (NPS optees).

4. One more option of pension to resignees who were excluded when it was extended to VRS optees.
5. Stop outsourcing and cross selling which is killing the main business of the Banks.
6. Change in laws and to take all other steps to recover mounting NPAs.

We urge upon you to gear up your entire machinery and ensure implementation of all agitational programmes, call for which has been given by UFBU and make the historic call of strike of 29th July, 2016, a grand success".

Circular # 51:2016 25th July 2016

LEADERSHIP OF APEX LEVEL RRB UNIONS HELD DISCUSSION WITH SENIOR DFS OFFICIALS ON 25TH JULY AFTERNOON – TALKS REMAINED POSITIVE – FINAL OUTCOME SHALL BE KNOWN BY TOMORROW – DECISION ON STRIKE SHALL BE FINALISED JOINTLY BY TOMORROW EVENING – AWAIT OUR NEXT COMMUNICATION

A message was conveyed by NABARD regarding holding of talks at DFS Level on 25th July, 2016 at 5:30 PM. All the Apex Level Unions who are constituents of UFRRBU have been invited for the talks.

General Secretary, AIRRBOF along with leaders of other constituents of UFRRBU attended the Meeting at the Main Conference Hall of Dept. of Financial Services at the appointed hour. Shri Girish Chandra Murmu, Addl. Secretary (FS) chaired the Meeting. GOI, DFS was represented besides Addl. Secy. (FS) by Shri S. Mishra, Joint Secretary (SM) and Shri A.K. Das, Under Secretary (RRB). NABARD was represented by Shri N.P. Mahapatra, GM, IDD, H.O. and Shri A.K. Mohanty, GM – in-charge, NABARD, RO, Delhi.

Addl. Secy., Shri G.C. Murmu expressed his positive bent of mind and told that with him at the helm of affairs there shall be no need for confrontation by way of strike etc. and issues can be resolved by discussion. He ascertained the details of the issues from the leadership of constituents of UFRRBU as well as from NABARD. Addl. Secy. assured that in regard to (i) release of compassionate appointment, (ii) most of the other allowances, (iii) graduation increment and (iv) payment of minimum wages a time bound implementation process can be done. He, however, took time upto 26th July afternoon to consult Secretary, DFS and convey the final decision.

The leadership of the constituents of UFRRBU met thereafter at the Conference Hall of DFS and deliberated at length on the progress of today's talk. It was decided that a final decision on holding of strike shall be taken finally by tomorrow evening and conveyed to the membership.

Friends, the strike call by UFRRBU had the desired impact. Discussion is taking place at the highest level of GOI, DFS and is heading towards positive solution.

WE ARE ON THE RIGHT TRACK. WIN WE MUST. PLEASE AWAIT OUR NEXT COMMUNICATION.

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Circular # 52:2016 — 26th July 2016

IN VIEW OF POSITIVE DISCUSSION & FINAL VIEW OF DFS IN REGARD TO TIME BOUND IMPLEMENTATION OF MUST OF THE ISSUES AS WELL AS RESOLUTION OF PENSION ISSUE SEPARATELY THREE DAYS STRIKE DEFERRED

Please refer to our circular no. 51:2016 wherein we conveyed the contour of talks held with Apex Unions of RRBs at DFS Level.

A MESSAGE HAVE BEEN RECEIVED FROM SHRI N.P. MAHAPTRA, GM, NABARD THAT ADDL. SECY. (FS), TRUE TO THE LINE OF DISCUSSION HELD ON 25TH JULY CONFIRMED THAT FOUR MAJOR ISSUES LIKE COMPASSIONATE APPOINTMENT, MAJOR COMPONENT OF OTHER ALLOWANCES, COMPUTER INCREMENT ETC. SHALL BE RELEASED IN TIME BOUND MANNER. IN REGARD TO PENSION IMPLEMENTATION IN RRBS DISCUSSION SHALL BE HELD TO ARRIVE AT POSITIVE SOLUTION. IN VIEW OF SUCH POSITIVE DEVELOPMENT UFRRBU UNANIMOUSLY DECIDED TO DEFER THE STRIKE. WE CONGRATULATE MEMBERSHIP FOR SHOWING ROCK LIKE SOLIDARITY TO MAKE POSITIVE OUTCOME POSSIBLE. UFRRBU SHALL HOLD MEETING SHORTLY TO DECIDE FURTHER COURSE OF ACTION. CONGRATULATION FRIENDS.

Circular # 53:2016 — 30th July 2016

DEARNESS ALLOWANCES

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 44 dated 29th July, 2016.

"We hereby advise the Index Numbers for the quarter ended June, 2016 for your information.

Month	Index as per 2001 series	Conversion factor	Index as per 1960 series
APR.2016	271	4.63 X 4.93	6185.81
MAY.2016	275	4.63 X 4.93	6277.12
JUN.2016	277	4.63 X 4.93	6322.77
Total			18,785.70
Average	18,785.70/3 Rounded off		6261.90 6261

	Difference in excess of 4440 points	1821
6117	D.A. paid for the previous quarter on difference (420 X 4)	1680
	Difference	141
	INCREASE in number of slabs (141/4) Rounded off	35.25 35.00

Accordingly, Dearness Allowance is payable to Officers on 455 (i.e. 420 + 35) slabs with effect from 01- 08 - 2016 as against 420 slabs for the previous quarter. The rates of Dearness Allowance at various stages of basic pay are furnished overleaf. The rates worked out are as per the industry level scales up to Scale VII".

All India RRB Officers' Federation
"JGGP HOUSE", Raja Rammohan Road, Hakimpara, Siliguri – 734001(West Bengal)
E-MAIL: 555airrbof@gmail.com/shyamalairrbof@gmail.com
WEB SITE: http://www.airrbof.org

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D.A. payable from 1st August, 2016 to 31st Oct., 2016
Rate of D.A. 0.10 % per slab (455 X 0.10 = 45.50 %)

Stages	Scale	Basic	Spl. All.	Total Pay	Exisiting-D	Revised-DA	Increase in
1	I to III	23700	1836.75	25536.75	10725.44	11619.22	893.78
2		24680	1912.70	26592.70	11168.93	12099.68	930.75
3		25660	1988.65	27648.65	11612.43	12580.14	967.71
4		26640	2064.60	28704.60	12055.93	13060.59	1004.66
5		27620	2140.55	29760.55	12499.43	13541.05	1041.62
6		28600	2216.50	30816.50	12942.93	14021.51	1078.58
7		29580	2292.45	31872.45	13386.43	14501.96	1115.53
8		30560	2368.40	32928.40	13829.93	14982.42	1152.49
9		31705	2457.14	34162.14	14348.10	15543.77	1195.67
10		32850	2545.88	35395.88	14866.27	16105.13	1238.86
11		34160	2647.40	36807.40	15459.11	16747.37	1288.26
12		35470	2748.93	38218.93	16051.95	17389.61	1337.66
13		36780	2850.45	39630.45	16644.79	18031.85	1387.06
14		38090	2951.98	41041.98	17237.63	18674.1	1436.47
15		39400	3053.50	42453.50	17830.47	19316.34	1485.87
16		40710	3155.03	43865.03	18423.31	19958.59	1535.28
17		42020	3256.55	45276.55	19016.15	20600.83	1584.68
18		43330	3358.08	46688.08	19608.99	21243.08	1634.09
19		44640	3459.60	48099.60	20201.83	21885.32	1683.49
20		45950	3561.13	49511.13	20794.67	22527.56	1732.89
21		47260	3662.65	50922.65	21387.51	23169.81	1782.30
22		48570	3764.18	52334.18	21980.36	23812.05	1831.69
23		50030	3877.33	53907.33	22641.08	24527.84	1886.76
24		51490	3990.48	55480.48	23301.80	25243.62	1941.82
25	IV to V	50030	5003.00	55033.00	23113.86	25040.02	1926.16
26		51490	5149.00	56639.00	23788.38	25770.75	1982.37
27		52950	5295.00	58245.00	24462.90	26501.48	2038.58
28		54410	5441.00	59851.00	25137.42	27232.21	2094.79
29		55870	5587.00	61457.00	25811.94	27962.94	2151.00
30		57520	5752.00	63272.00	26574.24	28788.76	2214.52
31		59170	5917.00	65087.00	27336.54	29614.59	2278.05
32		60820	6082.00	66902.00	28098.84	30440.41	2341.57
33		62470	6247.00	68717.00	28861.14	31266.24	2405.10
34		64270	6427.00	70697.00	29692.74	32167.14	2474.40
35		66070	6607.00	72677.00	30524.34	33068.04	2543.70

36	VI to VII	68680	7554.80	76234.80	32018.62	34686.83	2668.21
37		70640	7770.40	78410.40	32932.37	35676.73	2744.36
38		72600	7986.00	80586.00	33846.12	36666.63	2820.51
39		74560	8201.60	82761.60	34759.87	37656.53	2896.66
40		76520	8417.20	84937.20	35673.62	38646.43	2972.81
41		78640	8650.40	87290.40	36661.97	39717.13	3055.16
42		80760	8883.60	89643.60	37650.31	40787.84	3137.53
43		82880	9116.80	91996.80	38638.66	41858.54	3219.88
44		85000	9350.00	94350.00	39627.00	42929.25	3302.25

Circular # 54:2016 30th July 2016

ALL INDIA BANK STRIKE ON 29TH JULY 2016 STUPENDOUS SUCCESS

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 45 dated 30th July, 2016.

"We reproduce, hereunder, the contents of Circular No. UFBU/2016/60 dated 27.07.2016, on the captioned subject issued by Com. M.V. Murali, Convenor, UFBU for your information and circulation.

"Heartiest Congratulations to one and all – The one day All India Bank Strike by more than 10 lac bank workmen and officers today is a stupendous success. ***Kudos Comrades!*** The grand success of the united struggle of bank employees all over the country displays clearly the anguish and concern of the bank employees towards the general public as well as the entire labour force in the country.

At the call of United Forum of Bank Unions, the entire workmen and officers in the banking industry observed a day's All India Bank Strike today opposing the adamant attitude of the Government in pursuing the reform measures in the banking sector ultimately paving the way for the private players to wipe out the public sector character prevalent in the country, proposals for consolidation of banks while granting licenses to private players for opening small banks, neglecting in full the ways and means to recover the soaring bad loans in the Public Sector Banks, the ill-fated, anti-labour amendments to labour laws of the country.

Despite persistent opposition from all trade unions not only in the banking sector but also from all the trade unions in the country, the Government has been adamantly pursuing the anti-public banking, financial and labour reform measures, which are detrimental to the general public and the entire work force in the country. Reports pouring in from different parts of the country confirm that the strike is total with massive rallies and demonstrations conducted by the entire membership all over the country. The stupendous success of the strike should be an eye-opener to the Government and we hope and trust the emotional protest of the bank employees are duly noticed by the Government and given due cognizance.

Comrades – The battle is not yet over – We may have to continue our agitations to a greater extent till we achieve our goal. While we thank wholeheartedly our entire membership for its excellent display of unity in sending strong signal to the Government to halt in entirety the path of reforms, we appeal to the entire membership in readiness to implement further agitational programmes, if any, decided by the UFBU in the days to come.

We place on record our sincere thanks to all the leaders from political parties, Central Trade Unions who have lent their total support to our agitation launched in the interests of general public and the entire workforce in the country.

Comrades – Be Alert – Be ready for further struggles –
We shall fight – We shall fight – Till we succeed – We shall fight"

PRESS CORNER:

MUDRA BANK TO STEP UP MONITORING OF LOANS

The Micro Units Development and Refinance (MUDRA) Bank will step up monitoring of loans extended to micro, small and medium enterprises (MSMEs), according to its Chief Executive Officer, Jiji Mammen.

A new module to capture district-wise loan disbursement and other aspects will be added to the MUDRA portal shortly, Mammen told newspersons on the sidelines of a seminar on microfinance here on Monday.

Last year, total disbursement was around Rs. 1.33-lakh crore, surpassing the target of Rs. 1.22-lakh crore.

This year's target has been pegged at Rs. 1.80-lakh crore, of which around Rs. 25,000 crore has already been disbursed in the first quarter, he said. MUDRA offers three categories of loans: Shishu (covering loans up to Rs. 50,000); Kishor (loans above Rs. 50,000 and up to Rs. 5 lakh); and Tarun (above Rs. 5 lakh and up to Rs.10 lakh).

Since its launch in April 2015, total loan disbursement under the scheme, which was originally launched as Pradhan Mantri Mudra Yojana (PMMY), has been over Rs. 1.45-lakh crore.

Source – The Hindu Business Line 20th July 2016.

PARLIAMENT PANEL PROPOSES REVAMP OF DEBT RECOVERY BILL, RBI AUDIT OF ARCS

To ensure speedy redress of the 70,000 debt recovery cases pending across the country, a Joint Committee of Parliament has suggested major changes to the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill, which was introduced in May.

The Committee report, which is expected to be tabled in the Lok Sabha on Friday, proposes amendments ranging from definitions to several terms such as 'company', 'financial lease', and 'secured creditor' besides deletion of a "redundant" clause on penalties on Asset Reconstruction Companies (ARCs) if they fail to comply with the RBI's directions. According to those in the know of the development, it is virtually a new Bill now.

The Bill seeks to amend a set of laws, including the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), the Recovery of Debts due to Banks and Financial Institutions Act, 1993, the Indian Stamp Act, 1899 and the Depositories Act, 1996.

Persons familiar with the development told *Business Line* that the Committee has proposed the insertion of a new section to empower the Reserve Bank of India to audit and inspect ARCs from time to time. "We are of the view that the RBI or any other agency such as the Comptroller and Auditor-General of India, as entrusted by the RBI, should hold special forensic audit of the ARCs so that the issue of willful defaults can be put to an end," a Committee member said.

The Committee has changed the definition of an ARC to a "company incorporated under the Companies Act, 2013 and registered with RBI" for the purpose of asset reconstruction and securitisation. This was done after the RBI complained that the current definition is ambiguous.

The Committee has suggested changes to Section 3(3)(f) of the SARFAESI Act to enable the sponsor of an ARC to hold up to 100 per cent stake in the ARC and permit non-institutional investors to invest in securitisation receipts. The panel noted that the amendment made to the Stamp Duty Act, exempting a bank or financial institution from paying stamp duty, should be used only for acquisition of financial asset or asset reconstruction to ensure that it is not misused.

It also noted that the conversion of debt into shares of any borrower company by the secured creditors shall not affect the rights of the secured creditors to recover the balance amount of debt.

Source – The Hindu Business Line 22nd July 2016.

NS VISHWANATHAN TAKES CHARGE AS RBI DEPUTY GOVERNOR

NS Vishwanathan on Monday took over as Deputy Governor of the Reserve Bank of India. His appointment follows the completion of HR Khan's two-year extension as Deputy Governor.

The Government appointed Vishwanathan for a period of three years from the date of his taking over charge on or after July 4, or until further orders, whichever is earlier. Prior to his elevation as Deputy Governor, Vishwanathan was Executive Director.

As Deputy Governor, Vishwanathan will look after the Department of Banking Regulation, Department of Co-operative Banking Regulation, Department of Non-Banking Regulation, Deposit Insurance and Credit Guarantee Corporation, Financial Stability Unit, Inspection Department, Risk Monitoring Department and Secretary's Department. Khan was appointed as Deputy Governor for three years in July 2011. He was given a two-year extension in 2014.

Including Vishwanathan, the RBI has four Deputy Governors. The other Deputy Governors are Urjit Patel, R Gandhi and SS Mundra.

Meanwhile, Sudarshan Sen on Monday took over as the new RBI Executive Director. He will look after the Department of Banking Regulation, Department of Co-operative Bank Regulation and Department of Non-Banking Regulation. Prior to his elevation as ED, Sen was Principal Chief General Manager of the Department of Banking Regulation.

Source – The Hindu Business Line 5th July 2016.

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CENTRE PUMPS RS. 22,915 CR INTO PUBLIC SECTOR BANKS

The Centre on Tuesday allocated Rs. 22,915 crore as capital infusion (in 2016-17) in 13 public sector banks that are burdened with non-performing loans, to help improve their liquidity and support lending operations.

Of the allocated amount for each bank, 75 per cent has been released for now, "to provide liquidity support for lending operations and enable them to raise funds from the market." The balance amount is linked to performance and would be released later, the Finance Ministry said on 19th July, 2016.

As part of its Indradhanush plan to revitalise state-owned lenders, the Finance Ministry plans to infuse Rs. 70,000 crore in the four-year period between 2015-16 and 2018-19. The gross bad loans of PSBs increased to 9.6 per cent as of March 2016, from about 6 per cent a year earlier, according to the Reserve Bank of India. The Union Budget 2016-17 had allocated Rs. 25,000 crore for bank re-capitalisation.

The country's largest public sector bank State Bank of India has received the highest amount (Rs. 7,575 crore), followed by Indian Overseas Bank (Rs. 3,101 crore) and Punjab National Bank (Rs. 2,816 crore).

Bank of India received Rs. 1,784 crore and Central Bank of India Rs. 1,729 crore, while Allahabad Bank received the least amount (Rs. 44 crore).

"The capital infusion exercise for the current year is based on an assessment of need as assessed from the CAGR of credit growth for the last five years, banks' own projections of credit growth and an objective assessment of the potential for growth of each public sector bank," said a Finance Ministry statement.

Meanwhile, Finance Minister Arun Jaitley on Tuesday also informed Parliament that there are 8,167 willful defaulters, who owe banks a cumulative amount of Rs. 76,685 crore.

He further said that many defaults on banks have been from sectors such as steel, infrastructure and power, and the government has worked to address the problems of these sectors in the past year and a half.

Expressing the hope that the measures to help banks and the passage of the Insolvency Code would have a positive impact, he told Rajya Sabha that a Joint Committee of Parliament is looking into a Bill relating to debt recovery, which aims at empowering banks to take more effective steps in dealing with default situations.

Arundhati Bhattacharya, Chairman of SBI, said, "The provision of bank capital is most welcome and is very timely. We are hopeful that such provision of capital will help the banks in increasing lending, raising additional funding and cleaning up their balance sheets."

TN Manoharan, Chairman, Canara Bank, welcomed the government move to infuse Rs. 997 crore capital into Canara Bank. "The government has taken the right step. This will would help Canara Bank undertake its planned expansion more confidently," he told *Business Line* .

In April this year, Canara Bank had raised Rs. 3,000 crore in the form of Tier-2 bonds.

Animesh Chauhan, Chief Executive Officer & Managing Director, Oriental Bank of Commerce, said he was quite hopeful that OBC, which had sought capital to fund business growth for 2017-18, would get some capital allocated in the next tranche.

He said that OBC had not sought any capital for 2016-17 for which allocations were announced today.

Source – The Hindu Business Line 20th July 2016.

THE INDIAN UNION GETS A COMMON MARKET

A decade-long effort by successive governments to usher in the most sweeping reform of indirect taxes finally moved a step closer to realisation on Wednesday, with the Rajya Sabha clearing the Constitution (122nd Amendment) Bill to enable a goods and services tax (GST) regime.

The momentous Bill, which marks the first parliamentary step towards implementation of a "one country, one market, one tax" framework, was cleared by a two-thirds majority, which is required for any Constitution Amendment Bill, following a division of votes. The AIADMK, which walked out before the vote, was the only party to oppose it.

Soon after the Bill was passed, Prime Minister Narendra Modi hailed the vote. The GST, he said on Twitter, would be the "best example of cooperative federalism. Together we will take India to new heights of progress."

Finance Minister, Arun Jaitley, who moved the Bill for voting after a debate spread over seven hours, assured the Upper House that the GST rate would be kept as low as possible, and would be "much lower than the present situation".

The debate saw strong arguments and counter-arguments, a clash between of two lawyers -- former Finance Minister P Chidambaram and Jaitley -- demands from the Opposition that Prime Minister Narendra Modi be present in the House, and a curious voting exercises that kept springing numerical surprises.

The Bill, which incorporates fresh amendments based on inputs from political parties and the States, does not have the earlier provision for a 1 per cent additional tax on inter-State trade that would have been given to manufacturing States. It also specifies that the GST Council "shall" set up a mechanism to adjudicate disputes arising between the Centre and the States or between States, and that the States' revenues will not go into the Consolidated Fund of India. It also guarantees compensations to the States against revenue loss for five years.

Moving the Bill, Jaitley said, "The government felt it was necessary to gradually build a larger consensus as we were trying to radically change the country's taxation structure. GST will give a boost to the economy which is now at a critical stage."

A common concern across parties was that the the tax rates be kept low to ensure that the tax incidence on people does not increase and lead to higher evasion. "The standard rate of GST should not exceed 18 per cent and the lower rate can be worked on that," said Chidambaram, in his maiden speech in the Rajya Sabha.

Although he said the Congress would support the Bill, he added that his party would expect the government to incorporate the tax rates in the subsequent GST legislation.

Apart from the rates, Chidambaram also listed three key concerns of his party, including the rate of tax, the dispute resolution mechanism, the 1 per cent tax on inter-State trade and the "clumsy drafting" of the latest amendments specifying that the States' revenue would not go into the Consolidated Fund.

He also suggested further amendments to the provision of dispute resolution to include that the GST Council "shall by regulation" establish a mechanism to adjudicate disputes. These should also include disputes arising otherwise between States outside the recommendations of the GST Council.

Congress leaders, including Chidambaram, Anand Sharma and Ghulam Nabi Azad, also sought an assurance from Jaitley that the subsequent pieces of legislation on Central GST and State GST would be introduced as financial bills, and not money bills, to ensure that the Rajya Sabha too has a chance to discuss it. This was a common refrain from most Members of the Upper House, including CPM leader Sitaram Yechury. However, Jaitley refused to accede to the demand and said it would be decided based on the final format of the Bills. Yechury also called on the government to ensure that the States do not have to come to the Centre "with begging bowls".

N Navaneethakrishnan, AIADMK MP, articulated his party's opposition to the GST as it would cause a permanent revenue loss to Tamil Nadu.

The Constitution Amendment Bill for GST was cleared by the Lok Sabha in May last year, but fresh amendments were introduced last week to accommodate the demands of the Congress and the concerns of the States. The government hopes to roll out GST from April 1, 2017.

Source – The Hindu Business Line 4th August 2016.

CENTRE KEEN TO PRESS AHEAD, SET UP GST COUNCIL BY SEPTEMBER-END

The NDA government wants to establish the proposed GST Council in six to eight weeks so as not to lose the momentum built around the Goods and Services Tax regime, which propelled the enabling Constitution Amendment Bill through the Rajya Sabha.

The sense of urgency is amplified by the government's keenness to roll out GST from April 1, 2017.

"Our aim is to set up the GST Council by September-end or early October so that it can begin working on the fine details of the tax system, including rates, compensation as well as the Model GST legislation," said sources familiar with the development.

The Council will be set up once the Constitution Amendment Bill is ratified by at least 50 per cent of the States and receives the President's assent. Indications are that the Empowered Committee of State Finance Ministers, which is charting the GST roadmap, will be converted into the GST Council. It will play a pivotal role in determining other aspects of the tax such as exemptions, threshold, compounding and control.

Revenue Secretary Hasmukh Adhia indicated that the government wants at least 16 States to ratify the Bill in the next 30 days. Prime Minister Narendra Modi and Finance Minister Arun Jaitley are understood to have also sounded out Chief Ministers of BJP-ruled States on the issue. "BJP-ruled States will either ratify the Bill in the Monsoon Session or call a special session soonest," said a party leader, adding that discussions are also on with other NDA-ruled States on the issue.

The NDA government has given notice for the amended Bill to be taken up in the Lok Sabha, which is likely next week. The NDA has a majority in the Lok Sabha; in any case, the Congress and other parties too are likely to support the Bill.

Asked about the Congress' stand in the Lok Sabha, senior party leader Jyotiraditya Scindia told *Business Line*: "The GST concept was introduced by the Congress, but the NDA government frittered away the advantages of GST... Only after two years has it realised the importance of consensus-building and agreed to the changes we demanded."

"Even now, the upper limit for the tax rates must find form in the GST Bill," he said. Other parties, including the Left and the Samajwadi Party, will likewise support the Bill in the Lok Sabha. The Centre is looking to bring the AIADMK, the only party to oppose the Bill in the Rajya Sabha, on board.

Source – The Hindu Business Line 6th August 2016.

URJIT PATEL PROMISES TO LIVE UP TO EXPECTATIONS

Hours after being appointed as 24th RBI Governor, Urjit Patel promised to give his best in the new role and live up to people's expectations.

"Thank you everyone for your warm wishes! I will give my best to live up to the expectation of people," Patel tweeted.

Patel is the eighth Reserve Bank of India (RBI) Deputy Governor to be promoted as Central Bank chief.

Finance Minister Arun Jaitley on Saturday expressed confidence that Patel would contribute to India's economic development and successfully steer the Reserve Bank.

"Congratulations to Urjit Patel on being appointed as Governor of RBI. I am sure he will successfully lead the Reserve Bank & contribute to India's economic development," Jaitley tweeted.

Revenue Secretary, Hasmukh Adhia called up Urjit Patel to convey his best wishes to the new RBI Governor. "Congratulations to Urjit Patel on becoming RBI Governor. I wish him all the best," Adhia tweeted.

Meanwhile, Michael Patra, who is currently an Executive Director of RBI in charge of monetary policy, is being seen as frontrunner to succeed Patel as Deputy Governor.

Source – The Hindu Business Line 22nd August 2016.

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

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All India RRB Officers' Federation
"JGGP HOUSE", Raja Rammohan Road, Hakimpara, Siliguri – 734001(West Bengal)
E-MAIL: 555airrbof@gmail.com/shyamalairrbof@gmail.com
WEB SITE: http://www.airrbof.org