AIRRBOF News Letter
July, 2015
Sky is not the limit, we cover it...
The Voice of All India RRB Officers' Federation
Vol - XXII SILIGURI No. 07

EDITORIAL

RUNAWAY PAY

There is no doubt that the quality of disclosures from India Inc on top management compensation has materially improved with the changes mandated by the new Companies Act. The new rules require listed companies to provide relative metrics such as the ratio of top management pay to the median worker's pay, the increase in top managers' pay compared to hikes in workers' pay, and the relationship between CEO pay increases and the company's performance, in their annual reports. These are far better than the bare-bones numbers provided so far, which offered little scope for meaningful inter-firm or intra-industry comparisons. It is also laudable that Indian regulators have already pushed through these rules, even as similar pay-gap disclosures are still hanging fire in developed markets such as the US.

Having said this, the disclosures for FY15 now trickling in from corporate India suggest two worrying trends. One, they reveal that income inequality is as much of an issue in India Inc as it is in the developed markets. Recent studies have shown that, at last count, the average pay-gap ratio between the CEO and the average worker stood at about 373 times in the US, and at about 131 times in the UK. In India, the latest reports reveal pay-gap ratios ranging anywhere between 70 and 2900 times for leading firms. From the disclosures so far, it wasn't the financial firms — infamous for their exorbitant pay — that handed out the fattest compensation packages to their CEOs, it was Indian technology firms. While the top managers of Indian private banks took home 75 to 97 times their median employee's salaries, comparable ratios for the software majors ranged from 200 to 400 times. The data predictably show that pay gaps in promoter-managed firms tend to be higher than in professionally managed ones. Some mid-tier firms also feature far higher pay-gaps than market-leading firms. Tech Mahindra's CEO, for instance, earned 2920 times the median employee's pay, while the ratio was just 117 for Infosys. These disclosures drive home the point that income inequality is alive and well in corporate India — a trend that may need reining in by policymakers and organised workers' unions.

Two, and this is something shareholders need to worry about: corporate profit growth and stock price performance seem to have little or no bearing on managerial pay hikes. To address this problem, the ministry of corporate affairs could step in to require all listed companies to establish a transparent framework which links at least part of top management pay to shareholder returns or dividends. This may help in a better alignment of their interests with the shareholders. This apart, the problem of runaway managerial pay is best checked by shareholder activism. Now that they have been armed with all the data necessary to benchmark a company's compensation policy to others in the industry, public and institutional shareholders in listed firms have no excuse for remaining silent spectators when corporate boards approach them with exorbitant pay packages. It is only when these investors begin to actively vote out such proposals that the new pay-gap disclosures would have made their mark.

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 42:2015 6th June 2015

STRIKE NOTICE FOR 30TH JUNE 2015

In accordance with decision taken at the level of UFRRBU it was decided to observe one day token strike on 30th June, 2015. We enclose the Strike Notice served by the Federation to Govt. of India, Ministry of Finance, Dept. of Financial Services represented by Shri Hasmukh Adhia, Secretary with copy to Chairmen, all RRBs and Chief Labour Commissioner (Central), Ministry of Labour, Govt. of India. No separate Notice need to be sent by affiliates to the Chairman of the RRB other than submitting a copy of Strike Notice to the respective Chairman. Our Strike Notice is in line with the Notice served by UFRRBU to the Secretary, DFS endorsing copy to all concerned.

Ref no.2022:45:2015 6th June 2015

To
Shri Hasmukh Adhia,
Secretary,
Govt. of India,
Ministry of Finance,
Dept of Financial Services,
Jeevan Deep,
New Delhi

Sir,

STRIKE NOTICE FOR 30TH JUNE 2015

In terms of conciliation held on 20th April,2015, before CLC(c), management of RRB's assured to resolve the issues by way of holding meeting of Joint conciliation Council (JCC) , headed by Chairman, NABARD, by 27th April,2015, but JCC could not resolve the issues. However, in anticipation of positive development, UFRRBU deferred the 28th April Strike with immediate effect. But, till date there is no development at all.

In view of above UFRRBU has unanimously decided to resume the agitation with Strike action on 30th June, 2015, for realisation of following issues:

1. Stop privatization of RRBs.
2. Introduce Compassionate appointment scheme in RRB in line with sponsor bank with retrospective effect.
3. Immediate introduction of Pension-PF scheme in line with Sponsor banks.
4. Implementation of complete Bipartite settlement in terms of NIT Award.
5. Simultaneous execution of wage, allowance and other benefits related instruction of DFS for Sponsor banks in RRB too.

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6. To Scrap Mitra Committee HR recommendation.
7. To stop outsourcing in RRB.
8. Regularisation of part-time/ daily waged workers.
9. Payment of graduation increment to remaining newly recruited Office Asstt.
10. Uniform and equal gratuity payment scheme for RRB's Officer and workmen.
11. 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.

With regards,
Yours faithfully,
(S.K. Bhattacharjee)
GENERAL SECRETRY

Circular # 43:2015 16th June 2015

AGITATION IN DHANLAXMI BANK ENTERS 5TH DAY
STATE COMMITTEE OF AIBOC PLANS INDEFINITE HUNGER STRIKE

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 28 dated 15th June, 2015.

QUOTE

"A right lost to one is lost to all". Time stood still when the sea of protest of AIBOC officers lashed the walls of Dhanlaxmi Bank Corporate Office at Trichur. On the fourth day of the Indefinite strike call give by Dhan Laxmi Bank Officers' Organisation (DBOO), nearly 1200 officers of DBOO and affiliates of AIBOC congregated at Trichur and marched to the corporate office of Dhanlaxmi Bank at 9:00 AM. The spontaneous outburst of protest against the unlawful and unethical termination of Comrade P.V. Mohanan, the Vice President of AIBOC and General Secretary of Dhanalakshmi Bank Officers Organisation was embodied in the emotion packed slogan shouting of protesting comrades, especially the lady comrades. Com. Harvinder Singh, General Secretary of AIBOC led the rally from Naikkanal to the venue of the meeting at Thekkinkadu Maidan.

While inaugurating the Dharna in front of the corporate office of Dhanlaxmi Bank, starting at 9.15 a.m., Com. Harvinder Singh explained how the lightning strike became a necessity to react against such gross miscarriage of justice done by the Dhanlaxmi Bank management. It was an instant hit and served as an eye opener to the banking fraternity to the fact that the managements like Dhanlaxmi Bank's are ill treating whistle blowers. It is unfortunate that the Bank is putting aside the interest of the Bank just to teach Com. P.V. Mohanan and DBOO a lesson. It is well known that if we approach the judiciary, Com Mohanan will be reinstated in no time, but it is the faith and trust of the DBOO and its leadership which want the issue to be settled through organisational means and with the strength of the organisation. He assured the leadership of DBOO that AIBOC will not remain a silent spectator and will extend full support in its agitation. Though very peaceful methods of agitation are being adopted by AIBOC, we cannot rule out "an eye for an eye" policy also in the future agitation methods – He added. The emotion packed slogan ranting reflected unprecedented anguish of the participants.

Thereafter, the protestors marched in a rally, taking full circle of 1 k.m., to the ground in front of the Corporate Office of the Bank, which was the make shift venue of the day long protest meeting. Com. Sreenath Induchoodan, the fiery young leader and General Secretary of Union Bank of India Officers' Federation, Kerala analysed the issues of DBOO thread bare and warned the management of stringent steps if the crisis is not resolved. Com. Anitha P., President of Federal Bank Officers Association, touched upon the injustice meted out by the management on "gender issue". Comrade K. Ananda Kumar, Senior Vice President of AIBOC pledged all support to the striking comrades of AIBOC. Comrade (Dr.) V. Chidambara Kumar, Joint General Secretary of AIBOC lauded the spirit of DBOO members, especially lady comrades. Com Paul Mundadan General Secretary of the Private Sector Banks' Federation declared the strategies that the Federation would be undertaking. Com. Abraham Shaji John, the State Secretary, Kerala State Committee, in his inimitable style, exhorted the members not to let the management of Dhanlaxmi bank resort to such pressure tactics lest the disease may spread to other tiny Pvt. Sector Banks. BEFI leader Narendran stated that the call for a flash strike was a unique forceful step that the AIBOC took and deserves appreciation. Other leaders who addressed the gathering included Com. Balakrishnan of ABOA, SBT, Com. Mathew Thomas of Indian Bank Officers' Association, Com. Abdul Nasser of FBOA, Com. Jagdeesh of UCO Bank officers' Association, Com. Gangadharan, Kollam Dist Secretary, AIBOC, Com. Sasi Kumar, Alleppy Dist, AIBOC, leaders from LIC Employees Union etc. The speakers in one voice condemned the barbaric act of the Dhanlaxmi Bank Management in serving the pink slip to a senior activist and exhorted the crowd to resist it stiffly.

The Kerala State Committee of AIBOC which met in the afternoon was also attended by the undersigned, Com K. Ananda Kumar, Com. Paul Mundadan and Com. (Dr.) Chidambara kumar and Com. Anitha P. The Committee decided to intensify the agitation with the active support and increased participation from the AIBOC comrades. As an immediate step, a decision was taken to start an indefinite hunger strike in front of the Head Office of the Bank.

A widely attended Press Conference was addressed by the undersigned, Com. K. Ananda Kumar, Com. Abraham Shaji John and Com. Paul Mundadan. The electronic and press media was briefed about the unjust, undeserved, undue and unbelievable action by the Management and the real vindictive reasons behind the action.

Comrades, the Dhanlakshmi Bank Officers' organisation, the smallest unit of AIBOC, have been in public focus due to the repeated onslaughts on trade union rights of officers which it has been resisting with their collective power. But no viciousness can equal the latest act of the bank's management in terminating the services of one of its loyal officer just by a single liner "your services are no longer required". Our militant leader Com. P.V. Mohanan is being harassed only for discharging the watchdog function –that is acting as a whistle blower. Victimisation of a whistle blower is nothing but travesty of justice. Let us all unite our efforts through press, political parties, trade union leaders from other sectors, public awareness etc. in exposing the brutal act of the unjust stand of the Dhanlaxmi Bank Management.

OUR UNITY... LONG LIVE! DBOO.... LONG LIVE !! AIBOC... LONG LIVE!!!

UNQUOTE

Circular # 45:2015 18th June 2015

INTER MINISTERIAL PANEL TO LOOK INTO THE DEMAND OF CENTRAL TRADE UNIONSOUR REPRESENTATION FOR BEING HEARD

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 30 dated 17th June, 2015.

QUOTE

Our members are aware that a National Convention of Workers held at New Delhi on 26th May 2015, under the banner of Joint Platform of all the Central Trade Unions of the country along with independent national federations of all sectors and service establishments, expressed deep concern over anti worker, anti-people and pro-corporate actions of the present Govt. at the Centre in pursuance of the policy of globalization. The convention expressed dismay over various amendments in labour laws to empower the employers with unfettered rights to "hire and fire" and stripping the workers and trade unions of all their rights and benefits, aggressively pushing through almost unlimited FDI in strategic sectors like Railways, Defence and Financial Sectors by the Government and sweeping changes in the existing Land Acquisition Act, adversely affecting farmers' right to land and agri-workers' right to livelihood.

The Convention unanimously decided the following programme:

1. Joint conventions and campaigns during June-July in states, district, and industry level, wherever possible and taking initiative to involve common people in support of workers' struggle.
2. All India General Strike on 2nd September, 2015.

Barely two days before the convention, the Government announced a five member inter-ministerial committee consisting of Finance Minister Arun Jaitley, Oil Minister Dharmendra Pradhan, Power Minister Piyush Goel, Labour Minister Bandaru Dattatreya and Minister of State in PMO Jitendra Singh, to hold dialogues with the unions on their 10-point demands. The 10-point demands sent by the Trade Unions to the Government included review of policies on issues including amendments to labour laws, disinvestment and liberalisation of the foreign direct investment regime etc. The inter-ministerial committee led by finance minister Arun Jaitley to look into concerns of trade unions is likely to meet towards the end of June.

Our Confederation was also approached by the Central Trade Union/s urging upon us to join the struggle and country wide united strike action on 2nd September, 2015. The issue was discussed on 8th June, 2015, in the Executive Committee Meeting of the Confederation held at Hyderabad.

During the discussions on the issue one of the members suggested to demand representation of our Confederation also in the discussions with the panel or separate opportunity of being heard so that the specific demands of officers/supervisory cadre and long pending demands of implementation of ILO conventions 87 & 98 can be highlighted. We have today sent a letter to the Hon'ble Labour Minister in this regard. Copy of the letter is attached, herewith, this circular for your information.

UNQUOTE

Circular # 48:2015 20th June 2015

SALARY REVISION FOR OFFICERS EMPLOYEES OF PUBLIC SECTOR BANKS GOVERNED BY OFFICERS' SERVICE REGULATION – 10TH BIPARTITE SETTLEMENTS FOR PERIOD 01.11.2012 TO 31.10.2017

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 34 dated 19th June, 2015.

QUOTE

We are pleased to inform that GOI, MOF, DFS has conveyed its 'No objection' to IBA authorizing the banks to pay revised salary and arrears of pay and allowances to serving officers and revised pension and arrears to existing pension optees retired w.e.f on or after 01.11.2012 as per the provision of the Joint Note pending amendments to the Officers' Service Regulations/ Pension Regulations subject to the provision made by the respective banks.

Please refer to our circular no.2015/25, apprising that the IBA has agreed to advise the Government to permit the banks to make payment of arrears as ad-hoc amount, pending amendments to the Regulations. With the above mentioned approval of Government to IBA, part process has been completed. We once again advise our Affiliates to take up the matter with their respective Managements and ensure that the Joint Note is approved by the respective Bank Boards to pave way for payment of revised salaries/pension and arrears to the members.

With regard to Saturdays off, the IBA has already taken up the matter with RBI. As soon as RBI advises resolving of technical issues, the Ministry will issue notification in this regard.

UNQUOTE

Circular # 52:2015 27th June 2015

MEETING OF THE PENSION COMMITTEE WITH APEX LEVEL TRADE UNIONS OF RRBS AT NABARD, HO ON 25TH JUNE, 2015

Chairman, NABARD who is also the Chairman of the Pension Committee constituted by Govt. of India convened a Meeting with Apex Trade Unions of RRBs and other Stake holders at NABARD, HO on 25th June 2015. The General Secretary of our Federation represented AIRRBOF in the Meeting.

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In the preceding two Meetings of the Pension Committee with Associations/ Unions we pointed out that in order to make PF & Pension at par with Public Sector Banks the PF contribution as allowed to PS Banks' Officers & employees should be made applicable and accordingly funds should be allocated. Earlier it was also pointed out by us that the Pension Corpus shown as available by RRBs is also on the lower side. We challenged the feasibility study done by the Actuaries and told that the feasibility should be reassessed by independent or joint Accuracies of NABARD and Associations & Unions.

We stressed on the need to minutes the proceedings of the Pension Committee Meeting so as to record the relative stand of NABARD and Associations/ Unions. NABARD agreed to exchange all related papers with Associations/Unions. The Meeting could not come to any conclusion.

Friends, the feasibility data projected by NABARD being faulty the entire Pension Liability and its sourcing is defective. Hence we demanded the PF contribution at the rate available in PSB should be made applicable. The Pension Scheme shall go through further process of evolution and scrutiny. At this present juncture the Pension Proposal is yet to reach final stage. UFRRBU had called for one day strike in RRBs on 30th June, 2015 to press for settlement of several issues including PF & Pension at par with Sponsor Banks. We have to keep the Pressure on NABARD & GOI, DFS unitedly to clinch our issue.

Circular # 53:2015 — 27th June 2015

SPECIAL JCC MEETING HELD ON 25TH JUNE TO CONSIDER ISSUES OF STRIKE CALL ON 30TH JUNE, 2015

United Forum of RRB Unions, comprising of all Apex Level Trade Unions in RRBs had given strike call to resolve the eleven point Charter of Demands. Based on our strike notice, the office of the Chief Labour Commissioner (Central) advised Chairman, NABARD and DFS to discuss with Associations/Unions to resolve the issues. Govt. of India, DFS in a letter dated 15th June, 2015 addressed to Chief General Manager, IDD, NABARD advised to conduct a JCC Meeting calling Apex Level Trade Unions in RRBs to resolve the issues involved in the Strike Notice.

Accordingly, NABARD convened the Special JCC Meeting on 25th June, 2015 on an urgent basis. All the Apex Level Trade Unions of RRBs attended the Meeting including our Federation represented by the General Secretary. Shri A.K. Dave, Dy. Managing Director, NABARD chaired the Meeting in the absence of the Chairman. Issue wise discussion took place on all the eleven issues. Constituents of UFRRBU explained in detail the issues involved and their background.

The representative of NABARD and other JCC members explained their view points. No concrete commitment to resolve the issues involved could not be made by the JCC representatives from NABARD, Sponsor Banks, State Govt. and RRBs. However, they expressed positive attitude and pledged to endevour to resolve the issues.

In the back drop of the Special JCC Meeting UFRRBU met at NABARD Office itself to review the situation. Lot of deliberation took place on the pros and cons of conducting the strike. However, consensus developed that in view of no clear commitment of JCC and Govt. of India, DFS it would not be advisable to withdraw or defer the strike at the present moment. Convenor, UFRRBU shall write to CLC(c) explaining the position. Despite of positive attitude of UFRRBU to resolve the issues no clear commitment of NABARD & Govt. of India is available. Hence, STRIKE ON JUNE 30 STANTS. LET US ALL MAKE THE JUNE 30 STRIKE A GRAND SUCCESS.

Circular # 54:2015 29th June, 2015

AIRRBOF TEAM MET DFS
OFFICIALS IN NEW DELHI ON 26TH JUNE, 2015

General Secretary, AIRRBOF along with General Secretary, AIRRBPF met officials of Dept. of Financial Services in New Delhi on 26th June, 2015. There was change in the middle rung of DFS officials and Shri Manish Gupta has taken over as Director in place of Shri A.K. Dogra, Dy. Secretary and Shri J.K. Mehan, Under Secretary in place of Shri Govind Ram.

In the meeting we pressed for reintroduction of compassionate appointment scheme, immediate comprehensive circular on Salary revision and steps for ensuring parity in PF & Pension in RRBs with that of Public Sector Banks.

The approach of the officials was found to be positive. It was emphasized by them that the compassionate appointment scheme was held up due to some technical error in the note and the same is being further processed. They clarified that in regard to salary revision they are seriously considering issuing circular to revise the salary, allowances and other benefits in one go. We told them that AIRRBOF shall share with them all papers in these regard. The officials pointed out that the NABARD Level Committee on Pension is considering all options to ensure introduction of parity in PF & Pension. Once the report is submitted with detailed feasibility analysis, DFS shall submit the proposal to the Hon'ble Supreme Court for its seal and approval. Officials of DFS repeatedly requested us to defer the Strike on 30th June, 2015 to continue the positive environment so that issues can be resolved to our satisfaction.

We requested the DFS officials to expedite the entire process with a positive mind to which they agreed.

Circular # 56:2015 1st July 2015

30th JUNE RRB's STRIKE- A GRAND SUCCESS-
CONGRATULATIONS TO ALL CONSTITUENTS AND THEIR MEMBERS
RRB's STAFF HAS CREATED A NEW HISTORY AND EXCELLENT UNITY

We reproduce hereunder the text of United Forum of RRB Unions Circular No. 07 dated 30th June, 2015.

QUOTE
We have been receiving live reports from different part of the country that 30th June Strike has established a mile stone in movement and struggle of RRB's staff. It has appeared, throughout the length and breadth of country STRIKE has been observed in a befitting way.

It is also learnt that in many RRBs none-members or other staff belong to certain organizations who have officially been not participating in UFRRBU's strike, have observed the strike irrespective of banner and affiliation. Red salute to all for rock like unity.

Friends, you know the development taking place for last one week. Govt. of India, DFS as well as CLC©, New Delhi, had directed JCC/NABARD to hold the special JCC Meeting to reconcile the demands of UFRRBU. Accordingly, Pension Committee as well as Special JCC meeting was convened on 25th June at NABARD, Mumbai, but due to dubious role of JCC no issue was settled , consequently strike was not deferred.

In the meanwhile, on advice of CLC©, Delhi, RLC , Mumbai, hold a conciliation meeting on 29th June with a prior notice to Joint Secretary, DFS, Chairman, NABARD and all 56 RRBs. But, except NABARD officials none attended from DFS or RRBs. At the outset representatives of UFRRBU submitted the issues at length and when RLC© asked NABARD to clarify the position, they referred the discussion at spl.JCC Meeting on 25th June. They even refused to become party to the conciliation on a silly argument that NABARD has no power to decide any matter as it has been authorized for recommendation only. Consequently, there was no settlement.

During the course of proceeding, a status report prepared by JCC/DFS was received by RLC©, Mumbai, from office of CLC©, New Delhi, and handed over to UFRRBU representatives, in which there was no any time bound commitment and most of the issues were described as matter discussed by JCC.

At 3.00 pm, conciliation was adjourned for one hour and RLC© discussed over phone to CLC© and DFS . Thereafter, when conciliation resumed at 4.00 pm , RLC requested to defer the strike in view of further discussion, but UFRRBU was having no option rather to go on strike. However, RLC noted in the proceeding that the conciliation was adjourned to 4th August, 2015. Thereafter, UFRRBU communicated to respective base units to observe the strike in a befitting way.

Comrades, NABARD as well as DFS have been making a futile attempt to dilute our issues and struggle. Now, we will have to undertake more unity, struggle and sacrifices. 10th Bipartite has already been implemented in Sponsor banks and in some NCBs even arrears have already been paid. On earlier occasions, previous Bipartite settlements have partly been implemented. In commercial Banks Compassionate appointment has already been re-introduced but RRBs are deprived off, in other public sector banks disinvestment of equity has been restricted up to 51% where as Govt. holding in RRBs are conspired to be disinvested bring down below 50%,ie.complete privatization. Besides it, Mitra Committee Human resource policy has unilaterally been imposed on us resulting into restriction on promotion and recruitment. Further, there is no apex level negotiating forum for RRBs resulted into several industrial disputes and court cases. Not only this, in spite of similar duty and responsibility our service regulation is also not at par with Sponsor banks and most of the youngsters have been exploited by way of withholding payment of Graduation increment.

In view of above, UFRRBU is intended to intensify the agitation and decided to go on two days strike during Monsoon session of the parliament and exact date would be announced by the UFRRBU in its meeting going to be held in Delhi on 11th July, 2015.

Once again red salute for successful Strike

UNQUOTE

NEWS ROUNDUP:

CHOWDARY APPOINTED CVC

Former Central Board of Direct Taxes Chairman, CV Chowdary has been appointed Chief Vigilance Commissioner, a post that was not filled for the past eight months.

By appointing a former IRS officer as CVC, the ruling dispensation has for the first time not adhered to the tradition of appointing as IAS officer to this post. Chowdary – a 1978 batch Indian Revenue Service officer – was as an adviser to the Supreme Court appointed special investigation team to check black money. He had retired as CBDT Chairman in October last year. TM Bhasin, CMD of Indian Bank, has been appointed as Vigilance Commissioner in the CVC.

Source- The Hindu Business Line, 9th June, 2015.

VIJAY SHARMA IS NEW CIC

Information commissioner Vijay Sharma- a 1974 batch IAS officer- has been appointed the Chief Information Commissioner in the Central Information Commission (CIC). Sudhir Bhargava, a 1979 batch IAS officer, retired Secretary, Ministry of Social Justice and Empowerment, has been appointed the Information Commissioner in the CIC. Both Vijay Sharma and Sudhir Bhargava have been appointed for five years or till they attain the age of 65 years, whichever is earlier.

Source- The Hindu Business Line, 9th June, 2015.

PRESS CORNER:

GROWTH PUSH: RBI CUTS POLICY RATE BY 25 BPS

RBI Governor Raghuram Rajan delivered the first policy rate cut of the current financial year on Tuesday, paring the interest rate at which banks borrow from the central bank (repo rate) to 7.25 per cent from 7.50 per cent.

Banks heeded the RBI's call to pass on the rate cut with a few public sector banks cutting lending rates by up to 30 basis points. Loans to housing, auto, small and medium enterprises and large corporates are expected to get a tad cheaper. The widely anticipated policy rate cut, however, brought no cheer to the equity market.

The benchmark BSE Sensex fell 661 points due to a slightly upward revision in the retail inflation projection, and the Governor's comments about the rate cut being frontloaded.

Banking and auto sector stocks took a beating.

In its second bi-monthly policy statement, the RBI revised the inflation projection upwards to 6 per cent by January 2016 from 5.8 per cent in April 2015.

The RBI had kept the repo rate unchanged at 7.5 per cent in its first bi-monthly policy statement in April. Before Tuesday's cut, the repo rate had been lowered twice this calendar year, by 25 basis points each, in mid-January and early March. Both reductions took place outside the review cycle.

On Tuesday, the RBI reasoned there is a case for a rate cut in the backdrop of low domestic capacity utilisation, mixed indicators of a recovery, and subdued investment and credit growth.

In Delhi, Chief Economic Adviser Arvind Subramanian said the RBI's move was consistent with the trends in the economy, including declining inflation and strong fiscal discipline.

"The government and the RBI agree that these cuts signify that the economy needs policy support as economic growth is recovering while the external environment remains weak," he said.

The CEA added that the government and RBI will work together to ensure the macroeconomic situation remains strong while investment and growth are accelerated. He was hopeful of containing inflation despite the forecast of a poor monsoon.

The RBI has marked down the GDP growth projection for 2015-16 to 7.6 per cent from 7.8 per cent to reflect the uncertainty hovering over economic activity. It listed three risks that still cloud the inflation picture: a below normal monsoon, firming crude prices and volatility in the external environment.

Pointing out that successive estimates have indicated a worsening of the agriculture situation, Rajan said the Government needed to have contingency plans for food management.

Taking the RBI Governor's cue, India's largest bank, State Bank of India, pared its base rate (minimum lending rate) to 9.70 per cent from 9.85 per cent. The new base rate is effective from June 8. Allahabad Bank cut its base rate to 9.95 per cent (from 10.25 per cent), and Dena Bank to 10 per cent (10.25 per cent).

Source- The Hindu Business Line, 3rd June, 2015.

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BANKS' BAD LOANS MAY INCREASE TO 5.9% IN 2015-16: ICRA

ICRA Ratings has voiced concern over capital-constrained public sector banks and their capacity to absorb losses amid a rise in bad loans.

"What we are experiencing is a lag in recognition of asset quality stress. Around 25-30 per cent of restructured assets have already slipped into NPAs; now we are increasing our estimate of such slippage to 35-40 per cent from the earlier 30-35 per cent," Vibha Batra, Senior V-P and Co-Head - Financial Sector Ratings, ICRA, said.

Based on data from 26 PSBs and 15 private banks, ICRA, an associate of Moody's Investors Service, said it expected the lenders' gross non-performing loans as a percentage of total loans to be between 5.3 per cent and 5.9 per cent in the fiscal year 2015-16, compared with 4.4 per cent as of March 2015.

In absolute numbers, gross bad loans could rise to Rs. 4.2-4.7 lakh crore by March 2016 from about Rs. 3.1 lakh crore a year earlier, ICRA said.

The resolution of structural issues in infrastructure, construction and iron and steel will have significant bearing on slippages. If structural issues in the infrastructure sector are not addressed, slippages from restructured advances could be higher at 40-45 per cent, the agency noted. New rules effective from April this year require banks to make 15 per cent provision for restructuring loans, treating those at par with bad loans. Earlier they were providing 5 per cent for restructured loans.

Stressed loans, including bad and restructured loans, could remain flat at Rs. 7.4 lakh crore or increase at a slower pace to about Rs. 8 lakh crore (as much as 10.5 per cent of total loans) in 2015-16, the rating agency said.

Total capital requirement for Indian banks in FY16 is at about Rs. 80,000 crore to Rs. 1 lakh crore. Public sector banks account for 80 per cent of the total capital requirement.

Source- The Hindu Business Line, 9th June, 2015.

BANKS WITH HIGHER BAD DEBT LEVELS WILL HAVE TO GIVE REASONS, SAYS FINANCE MINISTER

Finance Minister Arun Jaitley said he will wait for some more quarters to find a pattern in the dip in bad debts of public sector banks.

"The banks themselves are of the assessment that it may take them two-three quarters to reach a somewhat greater comfort level," Jaitley told newspersons after reviewing the performance of public sector banks on Friday.

Technically known as non-performing assets (NPAs), loans are declared bad after three successive payment defaults of installments. Bad debts (as a percentage of advances) have come down to 5.2 per cent at the end of March, from 5.63 per cent on December 31.

However, the level of bad debts at the end of last fiscal is still high, compared with 4.72 per cent at the end of 2013-14.

"Banks themselves are going to make efforts to reduce their NPAs. We did ask each of the banks that have a higher NPA level to explain the reasons," he said, adding that the Government will closely monitor the NPA situation over the next few months.

In four public sector banks — Vijaya Bank, State Bank of Travancore, Canara Bank, Syndicate Bank — the gross NPA level is less than 5 per cent, while in 13 banks, the gross NPA is more than 5 per cent. These include, among others, United Bank of India (9.38 per cent), Indian Overseas Bank (8.3), UCO Bank (8.05), PNB (6.71) and IDBI Bank (6.49).

Later, the Finance Ministry said in a statement that rising NPAs, which are impacting the credit growth of banks, have been a matter of concern for banks and the Government and were discussed in detail in the meeting.

The increase in NPAs is due to some infrastructure projects, slowdown in recovery in the global economy and continuing uncertainty in the global markets leading to lower growth rate of credit. As a result, NPA as percentage of total credit has gone up, it added.

In addition, stringent provisioning norms further reduce both future credit flow and profitability. "Public sector banks continue to be under stress on account of their past lending. It emerged in the meeting that a sector by sector approach is necessary for NPA solutions and while companies needed promoter change, others needed greater equity.

"Systematic steps towards improvement of asset quality were expected from the banks by the Finance Minister," the statement said.

Source- The Hindu Business Line, 13th June, 2015.

BASEL III COMPLIANCE: BIS PAT FOR RBI

The Bank for International Settlements, the apex bank for all central banks, has complimented the Indian banking authorities for their substantial reforms and alignment with the Basel framework.

According to BIS' Regulatory Consistency Assessment Programme (RCAP), which evaluates a country's readiness for Basel III norms, "The risk-based capital requirements issued in July 2014 are assessed as compliant with the minimum Basel capital standards. All 14 components of the Basel framework included in the assessment have been assessed as compliant." Observing that the additional regulatory initiatives undertaken by the RBI improved the level of compliance, it said that the assessment would have generated a relatively less positive result in the absence of these changes.

The 14 parameters include scope of application, transitional arrangements, definition of capital, various approaches to quantify risk capital (credit, market and operational risks), securitisation framework, capital buffers (conservation and countercyclical), supervisory review process, legal and regulatory framework for the supervisory review process and for taking supervisory actions besides disclosure requirements.

The RCAP team noted that these regulations were yet to be applied in substantial practice to Indian banks and thus the deviations observed had to be kept under follow-up review for materiality assessment.

It observed that several aspects of the Indian framework were more conservative than the Basel framework. This included higher minimum capital requirements and risk weightings for certain types of exposures, as well as higher minimum capital ratios.

The RBI also applied certain restrictions to banking activities through its prudential framework, it added.

RCAP observed that India's regulatory documents used the word 'may' for implementing minimum binding requirements. For linguistic clarity and in line with international practices, RCAP has suggested that the word 'must' be used to ensure that local regulatory documents can be unambiguously understood even in an international context. The Indian Basel III framework for bank risk-based capital requirements came into force in April 2013.

Source- The Hindu Business Line, 16th June, 2015.

RBI WANTS PUBLIC SECTOR BANKS TO IMPROVE EFFICIENCY

As capital infusion for public sector banks (PSBs) by the government is also about committing tax payers' money, the RBI said this calls for enhanced efficiency and capital conservation rather than an equitable distribution of scarce capital.

On the other hand, while there is no dispute over the need for buffering banks with adequate capital, this may not ensure asset quality and hence the overall strength of the balance sheet.

The RBI's observation comes in the backdrop of the government capitalising only nine out of 22 PSBs in FY2015 on the basis of their return on assets and return of equity.

Chiefs of PSBs, which did not receive capital, termed this select infusion as a bolt from the blue. Given that their share valuations are currently not attractive for them to tap the equity market, the government now seems to be having a re-think on its strategy of select capital infusion.

The Financial Stability Report (FSR) observed that a reorientation of the performance evaluation of the top management (chief executives) of PSBs to specifically incorporate stock market valuations will reduce 'principal-agent' problems inherent in such a relationship and will also reflect the true marginal cost of capital relevant for recapitalization.

The 'principal-agent' problems occur when one person/ entity (the agent) makes decision on behalf of or that impact another person/ entity (the principal).

The report pointed out that in terms of public perception PSBs, with implicit government support, are considered to be relatively immune to destabilising impact though it has an efficiency imperative, when judged by their returns on asset or capital employed.

However, the same sense of safety eludes PSBs when it comes to their valuations. "With the government thinking of new performance-based norms for capital infusion, this disconnect is sought to be addressed.

"There may be a notion, albeit an incomplete one, that with the government deciding on performance-based parameters for identifying banks which deserve fiscal support, those that are not up to the mark might find it even more difficult to raise capital," the FSR said.

Source- The Hindu Business Line, 26th June, 2015.

KVGB TO RECRUIT MORE WOMEN PIGMY AGENTS

To take banking to more women in rural areas, the Dharwad-headquartered Karnataka Vikas Grameena Bank (KVGB) is planning to recruit more women 'pigmy' agents during the current financial year.

KVGB Chairman Ashok Reddy told *BusinessLine* that the bank appointed more than 100 women pigmy (daily deposit collection) agents during 2014-15 in the age group between 18 and 40 years to ensure greater participation of women in financial inclusion. The total number of such agents is around 800 (including around 100 women agents).

During the current financial year, the bank is planning to recruit another 300 agents. Of them, 200 will be women, he said. Pigmy deposit scheme was introduced by Syndicate Bank in 1928. Under this, the bank collected as low as two annas (twelve paise) every day from the doorsteps of the depositors through its agents).

To a query on the reason behind appointing more women agents, he said the bank has a scheme called 'Vikas Janashakti' to meet the credit needs of small entrepreneurs.

Under this, the customers can take loans ranging from Rs.5,000 to Rs.4 lakh. In this, the loan repayment is linked to the small amounts contributed by customers through the daily deposit scheme (pigmy) of the bank at their doorstep.

By recruiting women agents, the bank will be able to convince women customers better. The bank got this feedback from most of the villages under its jurisdiction, he said. The Prime Minister's financial inclusion plan gives importance for financing the woman in the family.

Stating that the bank wants to provide banking facilities to more women, he said the bank wanted to achieve this by recruiting more women agents. KVGB, which is sponsored by Syndicate Bank, has presence in nine districts of Karnataka. They are: Dharwad, Gadag, Haveri, Vijapura, Belagavi, Bagalkot, Uttara Kannada, Udupi and Dakshina Kannada.

Source- The Hindu Business Line, 12th June, 2015.

0PSBS SHOULD DISCLOSE DETAILS OF BAD LOANS: HIGH COURT

Public sector banks should disclose details of cases pertaining to persons and establishments whose bad debts of over Rs.100 crore have been written off, the Delhi High Court has hold.

This disclosure involves an element of public interest and tax players have a right to know the manner in which state-run banks sanctioned them, Justice Rajiv Shakdher said. "…….In my view, this information may have to be disclosed," he said.

The court's order came on a plea filed by State Bank on India against a January 20 order of Central Information Commission (CIC) asking the bank to supply to RTI applicant Raju Vazhakala information regarding total non-performing assets (NPAs) written off between 2004 and 2013.

The bank contended that it has a fiduciary relationship with the account holders and the information should be exempted from disclosure under Section 8(1)(e) of the RTI Act.

It also submitted that Section 44 of the SBI Act 1955 also prohibits disclosure of customer's information to any third party.

The judge brushed aside SBI's connection and observed that the reason "I have come to this prima facie conclusion is this: the petitioner (SBI) is undoubtedly a nationalised bank, which on its own is showing written off as NPAs, its loan loan accounts having outstanding of Rs.100 crore or more."

"The sheer extent of the write-off would, in my view, perhaps, inject an element of public interest in the matter, which is the exception provided for in Section 8(1)(e) of the RTI Act, 2005," the court added.

It also said this "matter needs further examination" and issued notice to Vazhakkala, a Kochi resident. The court also asked the RTI applicant to file a counter affidavit within four weeks.

Vazahakkala in his plea before the CIC had contended that he has sought information in public interest and the disclosure of the names of individuals and establishments would deter them from availing the loan from other banks due to their past defaults.

The Commission had directed SBI to provide the names and address of individuals and establishments as well as amounts against them which were written off.

Source- The Hindu Business Line, 25th June, 2015.

ASHOK LAHIRI TO CHAIR BANDHAN BANK BOARD; FOUNDER UNVEILS LOGO

Kolkata-based Bandhan Bank, set to start operations in August, announced on Thursday its new board of directors. It also unveiled the new logo – an image of the 'diya' – designed by Ogilvy and Mather.

The bank will be inaugurated by President Pranab Mukherjee. Ashok Kumar Lahiri, a former Chief Economic Advisor to the Centre, will be the Chairman, while Chandra Shekhar Ghosh will be the MD and CEO of the bank. Both appointments are subject to Reserve Bank of India approval.

The other directors include B Sambamurthy, former CMD of Corporation Bank; CM Dixit, Senior Partner at GD Apte & Co; Krishnamurthy Subramanian, Associate Professor at the Indian School of Business; Snehomoy Bhattacharya, former ED of Axis Bank; Pradip Kumar Saha, former CGM at SIDBI; Sisir Kumar Chakrabarti, former Dy MD of Axis Bank; Bhaskar Sen, former CMD of UBI and PS Raji Gain, CGM, Nabard. Representatives from the International Finance Corporation (IFC), a member of the World Bank Group, and Singapore's sovereign wealth fund GIC may also join the bank's board. GIC, IFC and State-run SIDBI have recently invested over Rs. 1,000 crore in Bandhan. Another round of funding of Rs. 500 crore is expected from GIC and IFC in August.

According to MD and CEO, CS Ghosh, Bandhan Bank will have 630 branches across 27 States. Nearly 247 of these new branches are expected to be in West Bengal.

The bank will have two distinct wings. One will cater to the micro-banking segment, targeting the rural and un-banked areas. The other will look at general banking.

"Some 500-odd branches are expected to be operational around the launch date itself," he told reporters during the conference.

According to Ghosh, the bank will target a growth of 20-30 per cent, every year for the next three years.

Source- The Hindu Business Line, 10th June, 2015.

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