



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

1st December , 2016

News of Interest 1st DEC

QUOTE OF THE DAY

LIFE IS 10% WHAT HAPPENS TO YOU AND 90% HOW YOU REACT TO IT. “

CHARLES R. SWINDOLL

1. PAY DAY TODAY: BANKS FEAR BIG RUSH AT BRANCHES, MANY ATMS STILL DRY
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Business standard

1. Pay day today: Banks fear big rush at branches, many ATMs still dry

Bankers fear heavy rush at the branches for a week as many ATMs are still not functional.

Agencies

With Thursday being the pay day, banks are gearing up to face a huge rush as people will queue up at branches across the country to withdraw salaries amid the on going cash crunch following demonetisation.

Making matters worse, a large number of ATMs are still dry even 23 days after

the government scrapped 500 and 1000 rupee notes earlier this month to crack down on black money.

Top government officials say special efforts are being made to pump in additional cash into banks to meet the heavy demand for currency notes on account of salary withdrawal.

The Reserve Bank has been asked to ensure adequate supply of new Rs 500 notes at banks and currency printing presses are working overtime to print them, the official said, adding that there is a lag of 21 days for printed notes to reach markets.

Bankers fear heavy rush at the branches for a week as many ATMs are still not functional.

Banks may have to lower the withdrawal limit as there is limited cash coming from RBI, said an official from UCO Bank.

People are likely to throng at bank branches on December 1 as central and state governments credit salaries and pensions to millions of accounts. At the central level alone, there are around 50 lakh employees and 58 lakh pensioners.

Bankers said the government's move last week to provide Rs 10,000 in advance to non-gazetted staff may provide only a slight relief.

Many banks have made 'SOS calls' to the Reserve Bank for additional cash for the first few days of December to meet the initial rush of people, already fatigued standing in unending queues to exchange/deposit old notes and make limited withdrawals over the past three weeks after the demonetisation was announced on November 8.

Banks have to make additional arrangement including security deployment, said a senior banker of Canara Bank.

Many banks are contemplating to set up additional counters for withdrawal to meet the rush.

"At SBI we have enough currency supply. At some pockets there was shortage, but there also funds are being made available," State Bank of India's deputy managing director Manju Agarwal said.

Despite recalibration of nearly 70 per cent of ATMs do not have cash, while people are struggling with the problem of change as the operational ones dispense mostly high denomination Rs 2,000 notes.

Nearly 23 days after Prime Minister Narendra Modi announced the cancellation of legal tender of old Rs 500/1000 currency notes, small traders, truckers and construction workers are facing hardships in going about their business.

Due to the sowing of rabi crop, government's focus has now shifted to rural areas, which means urban centres are feeling the cash squeeze, said some bankers.

Funds are being made available in rural and semi-urban pockets so that farmers get adequate cash for sowing rabi crop, they said.

There are also reports that banks in major metros are getting less than their cash requirement leading to chaos at the branches.

RBI Governor Urjit Patel had earlier said that the central bank is monitoring the situation on a daily basis and taking all necessary actions to "ease the genuine pain of citizens" with a clear intent to normalise the things as early as possible.

"We have made adequate arrangements to meet the higher demand for cash as salaries would be credited into customer accounts (as the month turns). In our bank there would be no shortage of cash," Central Bank of India Executive Director **R C Lodha** said.

Dismissing rumours of rationing of cash, SBI's Agarwal said there would not be any such thing and customers would be allowed to withdraw as per the limit available.

A customer is allowed to withdraw up to Rs 24,000 per week from their account. However, there were instances of banks not allowing such high withdrawals due to the paucity of cash supply.

Agarwal said she expects queues to be shorter now as banks are not exchanging scrapped old currency notes and also as people who wanted to have deposit demonetised notes would have done by now.

2. HDFC Bank offers cash withdrawal services through retail stores

Facility will be available for non-HDFC Bank customers as well

Anup Roy

Private sector HDFC Bank on Wednesday said it would offer cash withdrawal services in over 50 large stores across metro cities, where the customer can swipe their debit cards in the stores' point of sales machines to withdraw cash up to Rs 2,000.

The facility will be available for non-HDFC Bank customers as well.

For this, the bank has partnered with the Federation of Retail Traders Welfare Association, a trade body representing shop owners.

Some of the stores where money can be withdrawn are Roopam, Benzer, Amarsons, Kalaniketan, Premsons, Asiatic, Libaz, Seasons, Roopmilan, Metro, Catwalk, and Mochi.

"These stores will use cash collected from their sales for the withdrawals. The withdrawal limit has been capped at Rs 2,000 to cater to as many people as possible," HDFC said in a statement.

3. Catholic Syrian Bank awaits RBI nod for Fairfax investment

The proposed Rs 1,000 crore investment will allow CSB to increase its assets 10 times

T E Narasimhan

Kerala-based Catholic Syrian Bank (CSB) expects to get the proposed fund infusion by Fairfax Financial Holdings by March next year.

Fairfax had approached the Reserve Bank of India (RBI) evincing interest in investing Rs 1,000 crore in an Indian bank. RBI, in turn, forwarded the proposal to CSB, which accepted it.

Now, RBI has to give its in-principle approval. "We hope to get the in-principle approval from the banking regulator before December. And, 90 days is a good time to finish things from then," said S Santhanakrishnan, chairman, CSB.

Santhanakrishnan is due to retire soon but will continue as director. T S Anantharaman is set to take over as the new chairman of CSB.

On the proposed Fairfax investment, Santhanakrishnan said: "It is good to raise money from one investor, instead of going around looking for capital."

On diluting 51 per cent stake, he said: "I am not worried about how much it (Fairfax) is going to take, since it will have voting rights capped at 15 per cent."

On valuation, he said the process of valuation would start after RBI gives its in-principle approval. "My back-of-the-envelope calculation is that the bank is valued at Rs 1,500-2,000 crore," he added.

Commenting on reports that NRI businessman Yusuff Ali, managing director of Lulu group and the largest individual shareholder in the bank, was opposed to the move to shift the bank's headquarters from Thrissur, he said there was no such proposal.

Ali holds around five per cent in CSB.

The proposed Rs 1,000 crore investments will allow CSB to increase its assets 10 times. The bank's focus will be on small and medium enterprises, gold and retail, while it may not be aggressive on corporate lending, said Santhanakrishnan.

Financial Express

4. Demonetisation: Centre looks to boost digital payment system, names Chandrababu Naidu as panel head

Apart from the members, five experts from the private sector have been roped in as special invitees to the panel. They are — former UIDAI chairman Nandan Nilekani, Boston

By: [FE Bureau](#)

With demonetisation of high-value notes taking a toll on people in need of cash, the government on Wednesday formed a committee of chief ministers headed by Andhra Pradesh's Chandrababu Naidu to suggest measures for rapid expansion of payment through digital means and prepare a road map for its implementation.

Besides Naidu, who is part of the ruling National Democratic Alliance (NDA), the panel consists CMs of Odisha (Naveen Patnaik), Madhya Pradesh (Shivraj Singh Chouhan), Sikkim (Pawan Kumar Chamling), Puducherry (V Narayanasamy) and Maharashtra (Devendra Fadnis). NITI aayog vice-chairman Arvind Panagariya is also a member of the panel.

"The committee shall identify and outline measures for rapid expansion and adoption of the system of digital payments like cards (debit, credit and pre-paid), digital wallets/e-wallets, internet banking, Unified Payments Interface (UPI), banking apps etc, and shall broadly indicate the road map to be implemented in one year," NITI Aayog said in a statement.

Apart from the members, five experts from the private sector have been roped in as special invitees to the panel. They are — former UIDAI chairman Nandan Nilekani, Boston

Consulting Group chairman Janmejaya Sinha, netCORE managing director Rajesh Jain, iSPIRIT co-founder Sharad Sharma and IIM(Ahmedabad) professor Jayant Varma.

The terms of the reference of the panel included identifying the global best practices for implementing an economy primarily based on digital payment and examine the possibility of adoption of these global standards in the Indian context. It would prepare a road map for the administrative machineries in the states to facilitate adoption of digital modes of financial transactions.

The recent demonetisation of R500 and R1,000 notes, which constitute 86% of the notes in circulation, has affected people's spending on essentials, causing hardships to many across the country.

5. Demonetisation: For banks, agony of surplus liquidity higher than ecstasy of rising deposits

A lot has been conjectured of the 'good' that will happen. However, the reality has struck now when there is excess liquidity with banks and few avenues for deployment.

By: Madan Sabnavis

The scheme of exchanging old currency for deposits came as a breath of fresh air for banks, which saw their deposits soaring as households and business rushed to convert old currency after November 8. This has led to a sharp increase in bank deposits in an environment where bank credit is not growing rapidly.

A lot has been conjectured of the 'good' that will happen. However, the reality has struck now when there is excess liquidity with banks and few avenues for deployment. Much like the process of demonetisation, the situation appears more reactionary rather than planned, and banks find themselves in a tight spot.

There was ecstasy with deposits rising just at beginning of the busy season. Consumerism had shown strong signs in the period leading to Diwali and the good times were to come along supported by banks, which were running tight on deposits. In fact, RBI has been supplying funds through OMOs all through, and it is against this background that banks became ecstatic as deposits rolled in. Most households were in a panic mode and were just keen on getting rid of old notes safely and, hence, most of this money went into savings deposits.

The consequences were significant. First, banks automatically started lowering the deposits rates as they no longer had to wait for RBI to announce changes in the repo rate. This also meant that the lending rates could be reduced without a prod, which was a win-win situation for the system. The transmission mechanism became smooth under the compulsion of market forces. In fact, some sections of the market believed that RBI need not lower the repo rate in the December policy, as circumstances have already delivered the result unobtrusively. Banks were also pepped up as the G-Sec yields had crashed with the 10-years paper going down to 6.3% with sentiment providing a guidance of sub-6%. This meant there were capital gains to be had, which would prop up income and banks would be better able to manage provisioning for their NPAs.

Hence, while the first announcement of RBI spoke of around R5 lakh crore of deposits accruing to the system, the government spoke of R10 lakh crore by the end of December. These goodies definitely made banks less touchy about the inconvenience that they had to go through.

The initial pain was in terms of dealing with the system and the public. Currency notes had to be brought and replenished in all branches and ATMs, which are still work in progress, but given the grand resilience of the Indian public, empty ATMs and branches devoid of cash no longer stir any umbrage. The nation carries on, keeping in mind the big picture. Bankers have worked overtime without any further compensation to make this work, which will be seen right through December and even in the succeeding months when all the numbers have to be reconciled. But this pain is minimal compared to what lies ahead.

The system does not have the capability of absorbing this much of money. We are in a situation where there are not many takers for credit as growth has just about started and got thwarted with the move of demonetisation. Producing units are struggling to make their business move ahead, facing a liquidity crunch, and hence production has gotten stalled in both manufacturing and services sectors. Retail loans have, by far, been the most buoyant with mortgages picking up during the year. Here an impasse has been witnessed as households are working out ways of meeting their payments, given the high cash component in such purchases. Further, there is expectation that home prices would come down once the system regularises, which, in effect, means that it makes sense to postpone purchases. Hence, demand for credit is low, and banks have a challenge of deployment.

The alternative is to go to the G-Sec market. But with the government sticking to the fiscal target, there will be no additional paper in the primary segment. Hence, the secondary market has been the target for banks. This led to the yields coming down sharply. But given that banks have been paying a minimum of 4% interest on deposits, a positive net return is what they would have wanted. The reverse repo window has been used widely to park these funds where the return could go to 6.25%, which would just about cover their operating cost to assets ratio of 2-2.5%.

However, RBI has limited G-Secs in its balance sheet, which is around R7.5 lakh crore, and in case deposits do shoot up to R10 lakh crore, it would not be possible to satiate the market. One option is seeking recourse to MSS bonds (market stabilisation bonds), which have been used in the past when money supply increased mainly due to the influx of foreign currency in the system leading to sharp appreciation in currency. But given the quantum involved (between R5-10 lakh crore ultimately if the target is reached and cannot be used for lending), this would push up government debt substantially. In fact, it will also add directly to the fiscal deficit, which is not acceptable.

Therefore, RBI has come out with this new measure of locking in liquidity on an ex-post basis through 100% CRR for all deposits between September 16 and November 11—i.e. before the demonetisation. This is a sharp blow to the banking sector as it involves R3.2 lakh crore, on which the cost would be at least R12,800 crore (assuming all are savings deposits) on an annualised basis, which would increase in case part of this amount has gone into term deposits. The revenue earning would be nil on CRR balances and, hence, is an inferior option for banks, which were hitherto putting these funds at 6.25% in the reverse repo window, thus earning around R20,000 crore on an annualised basis.

So, banks will be less gung-ho about this entire exercise as the agony of surplus liquidity, which is now reckoned not on net funds available (deposits minus credit) but only incremental deposits, is higher than the ecstasy of rising deposits. This is over and above the pain gone through for 50 days in enabling a smooth transition from old notes to new ones, which does not receive any remuneration. On the whole, it does appear that this exercise will be a negative picture for banks in case it gets prolonged for long and is not reversed soon.

Business Line

6. Jan Dhan a/cs: Private lenders lag PSBs, RRBs

AJ VINAYAK

At a time when public sector banks and regional rural banks are seeing a surge in the number of Pradhan Mantri Jan Dhan Yojna (PMJDY) accounts and balances in them, private sector banks haven't been able to keep pace with them.

After the demonetization of ₹500 and ₹1,000 currency notes on November 8, private sector banks added a total of 2.41 lakh PMJDY accounts. In fact, the number of accounts came down by 69,094 in rural branches of private sector banks. In urban branches, however, the number went up by 3.10 lakh.

Much of the growth in accounts took place in IndusInd Bank. It added more than 2.80 lakh PMJDY accounts from November 9-23. The number of accounts came down by 59,083 in Jammu and Kashmir Bank.

While balances in PMJDY accounts of public sector banks and regional rural banks witnessed a growth of ₹20,264.21 crore and ₹5,876.34 crore, respectively, during the fortnight, private banks saw a growth of only ₹1,057.56 crore.

However, the balances in the PMJDY accounts of five private banks doubled during the period. IndusInd Bank's balance in PMJDY accounts rose 326.43 per cent during November 9-23.

Of the 13 private banks for which data is available, only in three banks the share of zero-balance accounts in their PMJDY accounts was below the 30 per cent level. For the others, it remained above that level.

Nearly half of Kotak Mahindra Bank's PMJDY accounts remained zero-balance.

Public sector banks

The number of PMJDY accounts increased by 6.03 lakh in urban branches and 2.26 lakh in rural branches in public sector banks (PSBs) from November 9-23.

The total number of PMJDY accounts increased from 7.20 crore to 7.25 crore in State Bank of India (SBI). This bank added 4.2 lakh more PMJDY accounts during the period. Bank of Baroda added 2.22 lakh, and Bank of India 76,785 accounts after November 9.

Of the 28 public sector banks, six witnessed a reduction in the number of PMJDY accounts during the fortnight.

Canara Bank saw a reduction of 57,741 accounts, followed by Bank of Maharashtra (29,896), Dena Bank (6,453), Andhra Bank (2,017), Indian

Overseas Bank (575), and Bharatiya Mahila Bank (227). The overall balance in PMJDY accounts of PSBs increased from ₹36,403.84 crore as on November 9 to ₹56,668 crore as on November 23.

The fortnight witnessed more than 90 per cent jump in the balances in Andhra Bank (98.18 per cent) and Dena Bank (93 per cent).

The zero-balance deposits remained below 8 per cent range in Central Bank of India, Punjab National Bank and Vijaya Bank. Nearly one-third of the PMJDY accounts have remained zero-balance in Bank of Maharashtra, SBI and State Bank of Hyderabad.

7. Bank staff finding it tough to face customers' wrath: union

OUR BUREAU

With customers being inconvenienced due to the ongoing demonetization exercise and shortage of bank notes, bank branches are finding it difficult to face their wrath, rage and resentment, said a bankers' trade union body.

Referring to the reluctance of customers to accept ₹2,000 notes, absence of supply of ₹500 notes and shortage of ₹100 notes, a joint statement of the All India Bank Employees' Association (AIBEA) and All India Bank Officers' Association (AIBOA) said "...We get reports of abusive language from the customers on the staff for not being able to give them required cash due to reasons beyond their control."

There are many reports that due to shortage of cash, customers are asked to withdraw ₹2,000 or ₹4,000 instead of ₹24,000 (per week) which they are eligible to, since there is inadequate cash balance in the branches.

CH Venkatachalam, General Secretary, AIBEA, said there is acute shortage of ₹100 currency notes and hence even the recalibrated ATMs are not able to dispense cash to the customers. The Association Secretary observed that even whatever ₹100 notes are being supplied by the RBI are found to be very soiled; these were earlier remitted to the RBI as non-issuable. Customers are refusing to accept these dirty and soiled notes and, in fact, it is found to be health hazard for the cash-counter staff who handle these notes.

"We find branches are displaying boards like 'No Cash', 'Cash no stock', etc., which seriously erode the reputation of our banks in the eye of the common people.

"We have reports that irritated customers are creating tension inside branches and sometimes locking the branch premises from outside and staff had to call police to come and break open the lock," said Venkatachalam.

More tension in store

S Nagarajan, General Secretary, AIBOA, emphasized that the next one week to 10 days are going to be much more tense because, huge number of employees, workers and retirees/pensioners would throng the bank branches to draw from their salary credit and non-availability of enough cash may lead to serious issues of law and order also.

Adding to the problems, still majority of the ATMs are non-functional and this would add to the crowd and congestion inside the branch premises.

Too many instructions

Further, according to Venkatachalam, the RBI is issuing umpteen numbers of instructions every day and branch staffs are unable to cope up with these instructions instantly until they are duly intimated about it from their respective head offices. Sometimes these instructions of the RBI create more problems than solutions, he added.

In a letter to Indian Banks' Association, Venkatachalam said: "We are afraid, there would be lot of undue pressures, tensions, conflicts and clashes in the branches and branch managers, officers and other staff would face a big ordeal.

"We seek the intervention of IBA to advice the banks to ask for proper police protection in branches to provide proper security to the staff."

Further, the Associations said the IBA has been requested to take up with RBI the issue of providing adequate supply of currency notes to all banks without any discrimination.

8. New India awaiting Cabinet nod for public issue

L N REVATHY

New India Assurance would be one of the first public sector insurance companies to list itself on the stock market, a top official of the company said.

Preferring silence on the issue of whether there would be a merger of the four public sector general insurance companies, G Srinivasan, Chairman-cum-Managing Director, New India Assurance, said the company is gearing up to hit the market.

"This, however, awaits the Cabinet nod. We are expecting approval in about a month's time and then, say in six to nine months, we will come up with our initial public offering, depending on the market condition."

On details about the size of the issue and so on, Srinivasan said the company is "waiting for clear approvals. We have made some suggestions, but I cannot disclose details."

It may be recalled that in 2012, the Insurance Regulatory and Development Authority of India (IRDA) had issued IPO guidelines for general insurers, where it stated that the regulator would take into account the insurer's financial position, capital structure and regulatory record before permitting them to come out with a share sale.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY