



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)
163/4, Kutcheri Road, Mylapore, Chennai - 600004
E mail i.d: aiubparf@gmail.com/ ubioatnqr@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
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Dear Comrades,

1st November, 2016

News of Interest 1st Nov

QUOTE OF THE DAY

“IN ORDER TO CARRY A POSITIVE ACTION WE MUST DEVELOP HERE A POSITIVE VISION.”

DALAI LAMA

- 1. STATE BANK OF HYDERABAD FACES BLUES AHEAD OF MERGER WITH SBI**
- 2. NOTIFICATION SOON ON INTEREST TO INOPERATIVE PF ACCOUNTS**
- 3. BANKS TO REPORT FRAUDS OF RS ONE CRORE AND ABOVE TO CVC**
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- 5. IDFC BANK USING MICRO-ATMS TO MAKE INROADS INTO UN-BANKED AREAS**
- 6. 2 CRORE PASSENGERS OPT FOR RAIL INSURANCE COVER SO FAR**

Business Standard

1. State Bank of Hyderabad faces blues ahead of merger with SBI

Heavy provisioning forces bank to post its first ever loss since inception in 1941 or since 1956 when it was taken over by RBI

B Dasarath Reddy

There may be just one more quarter left before the State Bank of Hyderabad (SBH) stops filing separate financial results in the run-up to the merger with State Bank of India (SBI), like the other four associate banks of the country's biggest lender.

But the results filed by the bank for the quarter ended September, 2016 have just denied it a place in history of being a consistently profit making bank since its inception in 1941 or from 1956 when it was first taken over by Reserve Bank of India (RBI).

SBH was the central bank of State of Hyderabad, handling its currency-Osmania Sikka and public debt apart from the functions of commercial banking prior to the princely state's accession into the Indian Union.

Largest among the associate banks, SBH, with a total business of Rs 2.53 lakh crore, has reported a whopping Rs 776.64-crore net loss in the second quarter of the current financial year. This was due to steep increase in the incremental provisioning towards NPAs as the SBI asked the bank to keep 'inherent weakness in common loans and advances' also in mind when it comes to provisioning.

The SBH officials say that this was the first time that the bank has ever reported losses in its history.

The quarterly loss was too big considering the fact that it had reported a net profit of Rs 1,064.93 crore in the financial year 2015-16. During the first quarter ended June, 2016 its net profit fell to as low as Rs 28 crore from Rs 251 crore in the year ago period as provisioning towards NPAs rose to Rs 892 crore from little over Rs 300 crore in the corresponding previous quarter. The provisioning requirement ballooned to Rs 2,266.7 crore by the time it concluded the second quarter ending September, 2016.

"SBI advised to make appropriate provisioning on a prudent basis based on the inherent weakness in common loans and advances in line with the lower IRAC (Income Recognition, Asset Classification) status in SBI Group as a whole. The bank has reclassified such common accounts which has resulted in increase of NPAs by Rs 2,623.90 crore, incremental provision of Rs 2052 crore and interest reversal of Rs 132.67 crore and its consequential impact on all ratios," SBH managing director Santanu Mukherjee said in a filing.

Sources in the bank said though they cannot rule out some fresh slippages during the quarter, the provisioning made was not entirely on account of these slippages. "Based on the SBI directions the bank had to make provisioning even towards standard assets of some accounts, which had already turned NPAs or substandard assets in SBI books," sources said.

Consider a scenario where a company that has received loan from a consortium of banks- which includes SBI and its associate banks- kept loan payment up to date with regard to SBH but defaulted on repayment to SBI. The bank was asked to classify loans in all such cases as NPAs for the sake of provisioning because post-merger those loans will have to be reclassified as NPAs by the SBI as they become two loans of a single account, according to sources.

In its statement the SBH management said that the net loss was on account of higher loan loss provisioning while the operating profit grew by 36.30 percent at Rs 1,101 crore as compared with Rs 807.8 crore in the corresponding previous quarter.

These numbers may not matter much to SBH as it become non-existent in the next few months. According to the bank officials, the SBI is likely to start reporting the financial results together with that of the merged entities as a single bank from the next financial year onwards. The other four associate banks to be merged with SBI are State Bank of Mysore, State Bank of Bikaner and Jaipur, State Bank of Patiala and State Bank of Travancore.

2. Notification soon on interest to inoperative PF accounts

Officials have identified that about Rs 42,000 crore is now lying in 'inoperative accounts' across the country

The government is all set to issue a notification authorising retirement fund body EPFO to pay 8.8% interest to "inoperative" accounts, Union Labour Minister Bandaru Dattatreya said on Monday.

"The inoperative (Employee Provident Fund) accounts are not being paid interest since 2011. According to the instructions given the Prime Minister Narendra Modi and Finance Minister Arun Jaitley, we decided to start paying interest to those accounts to make them operative," Dattatreya said.

"I have already signed the file concerned. Notification will be issued soon. We will pay 8.8% interest on those accounts. About 9.70 crore workers or employees will benefit from this notification. This is a Diwali gift for the people. We will issue notification within a week," he told *PTI*.

The minister further said that officials have identified that about Rs 42,000 crore is now lying in "inoperative accounts" across the country.

"People can park their funds in EPF as long they want. Since the inoperative accounts are getting interest, people may not like to withdraw. It is a safe investment also. If not today, tomorrow we will have to pay to the claimant. So there is nothing called unclaimed," a senior official of the ministry had earlier said.

In case of EPF, if there is no contribution paid during the last 36 months, then that account is classified as "inoperative", the official added.

"We are in the process of identifying multiple accounts held by individuals. Once that is completed we will start distributing the interest to those accounts," Dattatreya said.

On structuring the Employees Provident Fund Organisation, he said as the government is on the task to increase social security scheme to all the sectors, there is a necessity to increase the EPFO network also.

"The current zone system will be further enhanced so that the reach is high. There is a chance that every state will get a zonal office," he said.

According to him, there will be a review meeting on EPFO on Tuesday which will discuss in detail on the issue.

He said the next meeting of Board of Trustees will discuss on the issues of restructuring of EPFO and investments in Exchange Traded Funds, among others.

3. Banks to report frauds of Rs one crore and above to CVC

Based on the reports, the anti-corruption watchdog will recommend whether or not a CBI probe can be ordered

Press Trust of India

With several high-ticket alleged frauds like Vijay Mallya loan default case coming to fore, Central Vigilance Commission has now made it mandatory for the public sector banks to report to it all such matters involving funds over Rs one crore.

Based on the reports, the anti-corruption watchdog, which has hired four General Manager ranked officers from bank as advisors, will recommend whether or not a CBI probe can be ordered.

According to CBI data, in 2015, the agency had probed 171 cases of bank frauds involving funds of Rs 20,646 crore. In addition, CBI is also investigating the Ponzi schemes involving funds of over Rs 1.20 lakh crore.

The Commission will also call regular monthly meetings of senior officials of Reserve Bank of India (RBI), CBI and banks to monitor probe in suspected bank frauds of Rs 50 crore and above.

The banks have been asked to share their reports of Fraud Monitoring and Reporting (FMR) mechanism with the CVC in the suspected fraud cases of Rs one crore and above.

Till now this report was shared with the RBI only, Vigilance Commissioner T M Bhasin said.

The banks will also now have to report the modus operandi of all the alleged frauds to the CVC which will share these details with other banks to ensure that systemic changes can be brought in to prevent such cases being repeated, he said.

"Frauds were being reported by the Central Vigilance Officers of the banks to the RBI through the Fraud Monitoring and Reporting (FMR) mechanism. Now the Commission has decided that fraud of Rs 50 crore and above will be regularly followed up by the CVC.

"For this purpose, we will convene regular meetings where concerned people of CBI and RBI will be called and BSFC concerned banks," Bhasin said.

Financial Express

4. India ease of doing business: Climate improved but needs transformative reforms says, World Bank

Underlining that India needs "transformative reforms" to boost its economy, the World Bank today said the country has witnessed "fast-paced" reforms in past two years with the government encouraging digitisation, streamlining electricity supply...

By: PTI

Underlining that India needs "transformative reforms" to boost its economy, the World Bank today said the country has witnessed "fast-paced" reforms in past two years with the government encouraging digitisation, streamlining electricity supply and supporting manufacturing.

"The country has embarked on a fast-paced reform path," the international lender's annual report on Ease of Doing Business 2017 Report said in a special India-specific box.

The report "acknowledges several substantial improvements".

Titled 'India has embarked on an ambitious reform path', the report said that the current Indian government was elected in 2014 on a platform of increasing job creation, mostly through encouraging investment in the manufacturing sector.

Soon after the elections policymakers realised for this to happen substantial improvements would be needed in India's overall business regulatory environment, it said adding that 'Doing Business' indicators were employed as one of the main measures to monitor improvements in India's business climate.

"As a result of the election platform-driven reform agenda, over the past two years the 'Doing Business' report has served as an effective tool to design and implement business regulatory reforms," the report said.

The data presented by 'Doing Business' indicators have led to a clear realisation that India is in need of transformative reforms. The World Bank said India has achieved significant reductions in the time and cost to provide electricity to businesses.

In 2015-16, the utility in Delhi streamlined the connection process for new commercial electricity connections by allowing consumers to obtain connections for up to 200 KW capacities to low-tension networks.

"This reform led to the simplification of the commercial electricity connection process in two ways. First, it eliminated the need to purchase and install a distribution transformer and related connection materials, as the connection is now done directly to the distribution network, leading to a reduction in cost," it said.

"Secondly, the time required to conduct external connection works by the utility has been greatly reduced due to the low-tension connection and there is no longer a need to install a distribution transformer."

As a result, the time needed to connect to electricity was reduced from 138 days in 2013-14 to 45 days in 2015-16.

And in the same period, the cost was reduced from 846 per cent of income per capita to 187 per cent.

India further made paying taxes easier by introducing an electronic system for paying employee state insurance contributions, the World Bank said.

In the area of trade, as of April 2016 the Customs Electronic Commerce Interchange Gateway portal allowed for the electronic filing of integrated customs declarations, bills of entry and shipping bills, reducing the time and cost for export and import documentary compliance, it noted.

5. IDFC Bank using micro-ATMs to make inroads into un-banked areas

NS VAGEESH

As a recent entrant to the world of universal banking, IDFC Bank is trying to change the vocabulary that one associates with the physical reach of the banking industry.

Given the advantages that incumbent players have in terms of branch network, it knows that replicating that will take time and cost money. So, if it has to reach the top, IDFC Bank cannot get there by doing more of the same but has to find a new way to drive its costs lower while expanding its distribution and acquiring more customers.

Rajiv Lall, the bank's founder MD and CEO, says that the bank's customer acquisition and servicing strategy has to be branch agnostic. He says it is not the number of branches that matter but the points of presence that matter, and these can be anything — a *kirana* store with a micro-ATM, a business correspondent outlet or a branch.

Eventually, of course, these points of presence may not be necessary as customers become more sophisticated and connect digitally — through internet or an app on the smartphone. IDFC Bank knows that in rural areas, that would take a little longer. For now, the emphasis is on getting rural customers to come on board.

A key tool

The key tool in the IDFC Bank strategy to target lower-income customers in non-urban or rural areas is a small device — a micro-ATM.

At a glance, it looks like a large tablet. It has an attached biometric scanner and thermal printer and is Aadhaar-enabled and interoperable. It can do everything a regular ATM can — and more.

Using multiple identifiers — whether it is your mobile number, Aadhaar number, debit card number or bank account number, one can perform all basic banking transactions.

So, you can do an account opening, deposit cash into any bank account, withdraw money from your account, undertake balance enquiry, get your statements, make funds transfers, remittances, etc. And customers of other banks can also transact on these instruments.

Importantly, these micro-ATMs come at a fraction of the cost of regular ATMs — estimates put them at about one-tenth the cost. So, that would be ₹50,000-60,000 per micro-ATM.

These micro-ATMs are handy and can be placed anywhere — in every village with connectivity; perhaps at a grocer, a chemist or panchayat office — and, of course, they can easily be disconnected and taken home by business correspondents.

In rural areas, where going to an ATM after nightfall may be difficult, this facility is helping improve financial access significantly, IDFC Bank officials say.

“You don’t need to go 10 km to reach an ATM or a branch now. Many farmers are now able to withdraw their fertilizer subsidy through this facility,” a bank official said.

The bank is also actively using the micro-ATM model to enable all government payments and direct benefit transfers, including pensions and scholarships, through interoperable Aadhaar-enabled payment services (AEPS) in Krishna district of Andhra Pradesh.

The bank will soon implement this model for the public distribution system (PDS) in partnership with the AP government. This will make PDS payments cashless and help take digital banking to the next level in rural areas.

The bank has made significant strides in AEPS through micro-ATMs and has been among the top two banks in this area during the first half of this fiscal.

Market share

Careful placement of these micro-ATMs (where there are no other ATMs or branches) and the interoperability feature — through which the device can be used either through a phone number, card or Aadhaar number — has helped the bank gain market share.

After its success in making a dent in un-banked areas, IDFC Bank is also deploying these devices in metros such as Delhi and Mumbai to facilitate remittance of money from laborers and daily wage earners to the hinterlands. The bank has deployed about 820 micro-ATMs so far. It plans to double this number in the next six months.

6. 2 crore passengers opt for rail insurance cover so far

PRESS TRUST OF INDIA

More than two crore passengers have opted for the rail insurance scheme since the facility was launched in September this year.

"We have got good response to the optional insurance scheme as more than two crore passengers have opted for it so far," said a senior IRCTC official.

According to the data provided by the Railways, 20,763,353 passengers have opted for the insurance cover till October 30.

'Diwali bonanza'

The facility, which was announced in the Railway Budget 2016-17, allows a passenger to get an insurance cover of up to ₹10 lakh on booking a train ticket online by paying just 92 paise.

As part of the 'Diwali bonanza', IRCTC had reduced the cover price from 92 paisa to just one paisa from October 7 till Diwali. From October 31, it has been restored to 92 paise as announced earlier, said the official.

While about 5.5 lakh travellers book their tickets online daily, only around 3.5 lakh are opting for the insurance cover, he said.

The scheme offers travellers or their families compensation of up to ₹10 lakh in the event of death or permanent total disability, ₹7.5 lakh for permanent partial disability, up to ₹2 lakh for hospitalisation expenses and ₹10,000 for transportation of mortal remains in the event of death or injury from a train accident or other untoward incident, including terrorist attacks, dacoit, rioting, shoot-out or arson, as well as for short termination, diverted route and Vikalp trains. The facility is available for all rail passengers who book the e-ticket, excluding suburban trains, irrespective of the class of the ticket. The premium amount is automatically added to the ticket fare if the passenger opts for the insurance.

The scheme is being implemented by IRCTC in partnership with ICICI Lombard, Royal Sundaram and Shriram General.

The claim and liability is between the passenger and the insurance company. In the event of death due to accident, 100 per cent of the sum insured will be paid by the company.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY