



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/ ubioatnng@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
---	--	--	--

Dear Comrades,

2nd November , 2016

News of Interest 2nd Nov

QUOTE OF THE DAY

“OPTIMISM IS THE FAITH THAT LEADS TO ACHIEVEMENT. NOTHING CAN BE DONE WITHOUT HOPE AND CONFIDENCE. “

HELEN KELLER

HIGHLIGHTS

- 1. SBI ASSOCIATES POST HEAVY LOSSES IN SEPTEMBER QUARTER**
- 2. DENA BANK, SBBJ CUT LENDING RATE BY UP TO 0.1%**
- 3. RETIRING CEOS HIGHLIGHT MAJOR GAP IN MANAGEMENT IN PSU BANKS**
- 4. NCR BAGS LARGEST ATM ORDER FROM SBI FOR OVER 7,000 MACHINES**
- 5. RBI SETS UP SECOND BANKING OMBUDSMAN OFFICE IN NEW DELHI**
- 6. BANKING INFRA BEING MAPPED TO EXPAND DIRECT BENEFIT TRANSFER**
- 7. BANKS' NON-FOOD CREDIT UP 3.2% IN FIRST HALF**
- 8. IN H1, UNITED INDIA TOPS PUBLIC SECTOR NON-LIFE INSURERS IN PREMIUM INCOME GROWTH**

Business standard

1. SBI associates post heavy losses in September quarter

Parent infuse Rs 2,400 crore in SBP to meet CAR norms

Abhijit Lele

The five associate banks of State Bank of India (SBI) have booked heavy combined loss of Rs 3,096 crore in the financial year's second quarter ended September, on a sharp rise in provisions for stressed loans.

This is an outcome of aligning the treatment of weak and bad loans on the books of associates with those for the SBI group, ahead of the proposed merger with the parent. Collectively, they had posted net profit of Rs 870 crore in July-

September 2015. The highest loss this time was reported by State Bank of Patiala (SBP) at Rs 1,340 crore, followed by State Bank of Hyderabad (SBH) at Rs 776 crore.

Provisions and contingencies, including the amount set aside for non-performing loans, grew five times to Rs 6,679 crore in Q1 FY17 from Rs 1,235 crore in Q2 FY16. The big hit to the bottom line in Q2 FY17 has not come as a surprise. Arundhati Bhattacharya, chairman, State Bank of India, had signalled about a hard quarter way back in the middle of August. "Asset quality reviews (AQRs) at associates are substantially different from ours (at SBI). And we believe, as a group, it is important to align AQR numbers. At the end of the day, something that is stress with us will become stress with them at some point of time," she had said.

A part of the AQR alignment done in the first quarter had impacted the bottom line. The balance will be carried out in the current quarter, ending September, impacting profitability.

State Bank of India is targeting the merger of five banks — SBH, SBP, State Bank of Jaipur and Bikaner (SBBJ), State Bank of Mysore (SBM) and State Bank of Travancore (SBT) — in year ending March 2017. SBI had infused Rs 2,400 crore in SBP in the second quarter to meet capital adequacy norms.

Rating agency ICRA had in October said given SBP ownership and the proposed merger, SBI will support SBP in maintaining adequate capitalisation and liquidity. SBI has regularly infused capital in SBP during 2014-16. The fresh NPA generation in FY2017 is expected to remain high, given the high vulnerability that persists in the bank's large corporate book and its high standard restructured advances, ICRA said.

2. Dena Bank, SBBJ cut lending rate by up to 0.1%

The new rates will be effective from November 1

Press Trust of India

Two public lenders — Dena Bank and State Bank of Bikaner and Jaipur (SBBJ) — on Tuesday cut benchmark lending rates by up to 0.1 per cent. The new marginal cost of funds-based lending rate (MCLR) will be effective November 1, both banks said.

Dena Bank has reduced MCLR by 5 basis points from 9.45 per cent to 9.40 per cent for one-year tenure, it said in a statement. For three months, MCLR has been fixed at 9.3 per cent, and for six months, the rate has been fixed at 9.35 per cent. For the one-year period, the rate has been set at 9.40 per cent, it said.

SBBJ reduced the MCLR rate by 0.1 per cent across the board. The one-year MCLR rate is reduced to 9.45 per cent from 9.55 per cent, SBBJ said.

Banks have moved to MCLR as their new benchmark lending rate from June, replacing the base rate system for new borrowers.

It is calculated on the marginal cost of borrowing and return on net worth for banks. It was introduced by the Reserve Bank of India (RBI) to ensure fair interest rates to borrowers as well as banks.

It also seeks to address the regulator's primary objective of expediting monetary policy transmission along with augmenting uniformity and transparency in the calculation methodology of lending rates.

MCLR rates are revised every month.

3. Retiring CEOs highlight major gap in management in PSU banks

By Saloni Shukla, ET Bureau

Central bankers rarely talk straight, more so when it comes to the state of the banking industry. But the Reserve Bank of India deputy governor SS Mundra came close to it when he recently raised the red flag about the state of human resources in the banking industry.

When Mundra calls this a 'decade of retirement', it should be the beginning of sleepless nights to chiefs of banks and the biggest stakeholder in the system — the government, if it wants to save little value is left of the sector after bad loans had eroded its worth.

State-run banks, which used to be the most sought after for job seekers in the three decades since the 70s, not only lost sheen to more lucrative career options in technology and other sectors, but the efforts to make it more efficient by ending indiscriminate hiring and not replacing it with a suitable hiring plan is beginning to bite.

"This is a decade of retirement for PSBs and I am sure those working there are already feeling the pinch of the loss of experienced hands in their day-to-day operations," Mundra told a conference last month.

In a way, the Indian banking industry is facing something similar to the US economy where the retirement of baby boomers is causing structural changes and creating weakness in its economy. The Banking Services Recruitment Board, the central hiring institution for state-run banks, became a hiring machine without a vision. Hence, it was abolished about two decades back.

Although it helped banks turn lean, the absence of proper planning to replace the 'socialist-boomers' of the banking industry is leaving a void now that could disrupt state-run banks completely.

"Talent risk is a new risk in the banking system, and therefore, it is no more a matter of 'we would do it or like to do it', but it is a matter of 'unless we do it, we are putting systems at risk'," said AK Khandelwal, chairman of the Khandelwal committee — formed to study HR issues at "Banks may have capital adequacy but they are lacking in talent adequacy."

Many chief executives are retiring in the next year and so are the executive and managing directors. The big problem is of the missing middle. Nearly 73% of the deputy general managers and general managers put together at state run banks are above 55 years of age. And another 23% are in the age group of 50-55, which clearly suggests that their retirement too isn't far away.

The very vocal former governor of RBI, Raghuram Rajan, had also voiced his strong opinion on the subject and said the country could be staring at a "national calamity" if the enormous national assets with PSU banks start to deteriorate due to loss of talent and capabilities.

"Many private sector banks run on people poached from public sector banks. So, let us first acknowledge that these are national assets and we need to retain the value that they create," to a television channel. "These banks are sitting on enormous national assets and for those assets to deteriorate would be national calamity."

Automation may be the in thing and banks may be attempting to do so, but robots are just making entry into the industry and it may be years before they throw up managerial personnel. "Banking is still far away from being a driverless car, hence, human factor is crucial," Reserve Bank deputy governor Mundra had said.

A Mckinsey study on Indian banks says 87% of GMs would have superannuated at the end of 2017, leaving a huge gap of those responsible for implementing policy. On top of that, between 60% and 90% of DGMs at PSU banks are set to retire by the end of the current fiscal. The report that was published towards the end of 2013 also points out that this number could jump up to 93-100% by 2020.

4. NCR bags largest ATM order from SBI for over 7,000 machines

By PTI

US-based ATM manufacturer NCR Corporation has bagged a Rs 334-crore order from SBI to install over 7,000 cash-vending machines, making this the single largest order in the country.

NCR is the largest player in the domestic ATM market with over 1 lakh cash-vending machines running.

Its new ATMs are equipped with the latest anti-fraud security solutions.

"State Bank has awarded NCR with the single largest order of ATMs in the country. The agreement, valued at around Rs 334 crore, has to be executed over the next seven years, and NCR will deploy 7,070 cash-vending machines, software solutions and provide services support," NCR India Managing Director Navroze Dastur told PTI.

SBI Deputy Managing Director and Chief Information Officer Mrutyunjay Mahapatra said, "We are pleased to be associated with market leaders like NCR. This partnership continues to strengthen our ATM channel network of over 57,000 ATMs, of which, NCR has almost half the base supporting more than 4,500 locations."

Dastur said the new Self Serv 22e ATMs are embedded with its proprietary skimming protection solutions which will help thwart card data breach and notify attacks in real-time.

5. RBI sets up second Banking Ombudsman office in New Delhi

By ET Bureau

Reserve Bank of India is looking to improve its dealing with customers coming to it with complaints against banks. It has just set up the second Banking Ombudsman office in New Delhi.

Banking network has increased manifold over the last few years with the financial inclusion push. Setting up of small finance banks and payments banks is expected to improve penetration further.

RBI said the second office in New Delhi is set up "considering the significant increase in banking network during the recent past and the large jurisdiction being covered by the present office of the Banking Ombudsman, New Delhi."

This is the 16th Ombudsmen with specific state-wise jurisdiction covering all the 29 states and seven union territories.

RBI's first Banking Ombudsman office in New Delhi will have the jurisdiction over Delhi and Jammu and Kashmir, whereas the second office will cover Haryana (except Panchkula, Yamuna Nagar and Ambala Districts) and Ghaziabad and Gautama Buddha Nagar Districts of Uttar Pradesh.

According to latest published data by RBI, it received 11% more complaints in 2014-15 to 85131 with almost one-third related to banks' failure to meet commitments and non-observance of fair practices code. Card related complaints comprised 21.3% of total complaints received.

Business Line

6. Banking infra being mapped to expand direct benefit transfer

SURABHI

The Centre has embarked on an ambitious plan to map the banking infrastructure across the country as part of its financial inclusion initiative.

Known as the DBT-Geographical Information System for financial inclusion, the facility provides data not only at the State/district levels, but also at the village level. Lead banks in each area have been asked to update details on a regular basis.

The exercise, which aims to map not only all the brick-and-mortar bank branches but also clearing houses, post offices, banking correspondents and ATMs across the country, is expected to help in the expansion of the direct benefit transfer (DBT) programmer for routing cash subsidies directly into the bank accounts of beneficiaries.

At present, DBT-GIS is available only for government-to-government use, but the eventual objective is to open it to the public as well.

Expanding the scope

Such a proposal was originally mooted by the Deepak Mohanty Committee on the medium-term path for financial inclusion to the Reserve Bank of India in December 2015, but it gained currency with the Centre's focus on expanding the scope of DBT to all subsidies, scholarships and schemes and also roping in State governments.

"With cash transfers through DBT, the idea is to provide banking services at the doorstep of beneficiaries.

"Along with opening of bank branches under the Pradhan Mantri Jan Dhan Yojana, this facility is expected to provide better access to financial services to beneficiaries, especially in rural areas," said an official familiar with the development.

At present, 78 schemes of 17 ministries are part of the DBT. Official data reveal that over ₹31,700 crore of funds has been transferred through DBT in 2016-17. Efforts are also on to include subsidies such as fertilizers' and kerosene in the scheme.

"As more payment solutions such as payments banks come into operation and the ambit of DBT is widened, the facility may be made public," said the official, but noted that access and connectivity to the Internet would also be required for beneficiaries in rural areas to locate their nearest banking service provider.

7. Banks' non-food credit up 3.2% in first half

OUR BUREAU

Robust demand for credit from the services, priority sector and personal loan segments helped banks expand their non-food credit portfolio better in the first half of the current financial year *vis-à-vis* the year-ago period.

According to Reserve Bank of India data, non-food credit portfolio — comprising loans given for agriculture and allied activities, industry, services, personal loans and priority sector — of the banking system grew 3.2 per cent in the first half of this fiscal as against 1.6 per cent in the year-ago period. In the first half, non-food bank credit in absolute terms increased by ₹ 2,08,700 crore as against ₹ 95,700 crore in the year-ago period. Credit to the services sector, which includes professional services, other services, wholesale trade (other than food procurement), trade and transport operators, increased 7.7 per cent in the reporting period as against a de-growth of 0.8 per cent in the year-ago period.

Credit to the personal loans segment, which includes credit cards outstanding, other personal loans, consumer durables, housing (including priority sector housing), nudged up 7.9 per cent from 7.6 per cent in the year-ago period.

Credit to the priority sector, which includes loans given for agriculture and allied activities, micro and small enterprises, manufacturing, services and housing, increased by 5.1 per cent as against 4.4 per cent in the year-ago period. Credit to industry (micro, small, medium and large enterprises), however, de-grew further by 2.9 per cent as against a decline of 1.1 per cent in the year-ago period.

8. In H1, United India tops public sector non-life insurers in premium income growth

G BALACHANDAR

United India Insurance (UII) said entry into new segments and strengthening of existing businesses helped the non-life insurer achieve the highest growth in premium income among public sector players during the first half of this fiscal.

UII topped the table among the public sector units with ₹1,797 crore of gross direct premium underwritten (GDPU) in September this year, over twice that of ₹875 crore in September 2015.

Also, in the first half, the company recorded the highest growth (among PSUs) of 27 per cent in GDPU at ₹7,650 crore, compared with ₹6,034 crore in the year-ago period.

The company attributed the impressive performance to its recent entry into two new segments — agriculture (crop insurance) and automobile. Also, restructuring of premium rates, aimed at boost in the bottom line, and limiting discounts in the motor segment, helped the company.

Crop insurance

"We entered the agri sector under the Pradhan Mantri Fasal Bima Yojana crop insurance scheme. We have got around ₹800 crore in a few States. Since kharif is over, we are now trying for the rabi season, for which tender is on for many

States and we are bidding for the same," A Hoda, Chairman and Managing Director (Officiating), UII, told *Business Line*.

The company has firmed up its premium rates and conditions in order to shore up its bottom line. "We are not doing it at loss any more. Since we have got enough market shares, we revised our premium rates that are sustainable. In this process, in spite of losing some premium in the beginning, we have been a gainer," he added.

UII has decided to limit its discounts in the motor policy segment, which has lately seen stiff competition. Though there was some loss of premium initially, the company managed to firm up motor premium rates.

The company's tie up with Maruti a year ago has also been giving some business in the recent months.

After testing the standards of UII, Maruti started giving more areas to UII from June onwards. The States include Tamil Nadu, Kerala, Gujarat and Uttar Pradesh. "We are getting, on an average, ₹1 crore per day through this pact," said Hoda.

Amid intense competition and rejig in rates, the company is maintaining double-digit growth in motor and health segments.

While topline growth is expected to be robust, UII expects bottom line to show improvements from the third quarter of this fiscal as the first half will have higher provisioning. "Our annual results will be much better than that of last year," he added.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY