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Dear Comrades,

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News of Interest 7th Dec

QUOTE FOR THE DAY

"THE PEOPLE WHO INFLUENCE YOU ARE THE PEOPLE WHO BELIEVE IN YOU. "

HENRY DRUMMOND

- 1. POLICY REVIEW: MODI'S DEMONETISATION GAMBLE MAY FORCE RBI TO CUT RATES TODAY**
- 2. ONE MILLION NEW POS TO BE INSTALLED BY MARCH 2017**
- 3. RBI RELAXES NORMS FOR ONLINE CARD TRANSACTIONS UP TO RS 2,000**
- 4. DEMONETISATION FALLOUT: BANK UNIONS THREATEN TO AGITATE, PLAN STRIKE AGAINST WORK PRESSURE**
- 5. DECISION-DAY GUIDE: SEEKING CLARITY ON PM NARENDRA MODI'S CLAMPDOWN ON CASH**
- 6. NEW RS 100 NOTES FROM RBI SOON, OLDER NOTES TO CONTINUE**
- 7. PNB SUES MEMBER OF PARLIAMENT FROM AP FOR ₹81-CRORE DEFAULT**
- 8. OLD NOTES WINDFALL: CANARA BANK SEES BETTER RECOVERY OF MSME LOANS**

Business standard

1. Policy review: Modi's demonetisation gamble may force RBI to cut rates today

Rate cut would signal RBI's priority is in supporting economy, which grew an annual 7.3% between July and Sept

Reuters

An intense cash shortage could force the central bank to cut interest rates to a six-year low on Wednesday as Prime Minister Narendra Modi's currency gamble threatens to hit nearly every aspect of the economy, from consumers to supply chains.

A majority of the nearly 60 analysts polled by Reuters predict the Reserve Bank of India (RBI) will cut the repo rate by 25 basis points (bps) to 6 percent, the lowest since November 2010, while six predicted a deeper 50 bps cut.

Pressure on the RBI and Governor Urjit Patel to act has grown since Modi stunned the country on November 8 with a drastic plan to abolish 500 and 1,000 rupee notes, removing 86 per cent of the currency in circulation in a bid to crack down on India's "shadow economy".

Data so far shows the measure has hit the cash-reliant economy more than expected: auto sales plunged and services sector activity dived into contraction in November for the first time in one-and-a-half years.

The prospect that India's robust growth will be derailed could offset any worries about a volatile global environment, which saw the rupee sink to a record low in November as part of a sell-off in emerging market assets.

Analysts say the RBI has room to act given consumer inflation eased in October to 4.20 per cent, the slowest pace in 14 months and below the RBI's target of 5 per cent for March 2017.

"We expect the RBI monetary policy committee (MPC) to cut rates by 25 basis points," said Radhika Rao, an economist with DBS Bank, in a note.

"While lingering external uncertainties raise the odds of a no-move, the RBI MPC is likely to take a growth supportive stance to offset downside risks to growth from the demonetisation effort."

A rate cut is not without risks. It would mark a second consecutive 25 bps easing by the six-member MPC, and some foreign investors warn it could raise concerns about whether the central bank is losing its focus on inflation.

A cut would also come at a time when emerging markets are under pressure after the election of Donald Trump as US president in November sparked a surge of capital flows back into the United States, a trend that could accelerate as the Federal Reserve gears up to raise interest rates next week.

In India, foreign investors sold a net \$4.7 billion in debt and equities in November even, though the country is seen as in better shape than other emerging markets.

But a rate cut would signal the RBI's priority is in supporting the economy, which grew an annual 7.3 per cent between July and September, the fastest rate for a large economy in the world but still below the levels needed to sustain full employment.

Investors will also want more details from Patel about how the RBI is managing the process of demonetisation after coming under criticism from market participants for frequently announcing adjustments to its policies.

Most analysts say the RBI will likely partly roll back a directive for banks to place their entire deposits under the central bank's cash reserve ratio in a bid to absorb the extra liquidity generated by the government's banknotes move.

The need to keep it in place has eased after the government announced last week it would raise the issuance of special bonds to soak up the liquidity.

2. One million new PoS to be installed by March 2017

At present, the country has about 15 lakh PoS terminals across different merchants to facilitate card based payments

IANS

In a bid to expand the digital payments eco-system and facilitate the move towards cashless transactions, the government on Tuesday directed banks to install an additional one million new point of sale (PoS) terminals by end of the current financial year.

"Towards this end, banks have already placed orders for 6 lakh PoS machines and another 4 lakh PoS machines are likely to be ordered in the next few days," an official statement said.

The country, at present, has about 15 lakh PoS terminals across different merchants to facilitate card based payments.

The government also said a special drive was undertaken jointly with Labour and Employment Ministry and state administrations to open banks accounts for unorganised labour by holding camps at various locations.

"A total of 2,73,919 camps have been organised so far in which 24.54 lakh accounts have been opened," it said.

It said that after the announcement of demonetisation of high-value currency notes, banks have been making all out efforts to facilitate genuine transactions.

"Appropriate action is being taken against individuals involved in irregular and unauthorised activities. Since December 3, action against 7 officials of public sector banks (PSBs) has been taken," the statement added.

3. RBI relaxes norms for online card transactions up to Rs 2,000

Welcoming the move, Uber India said it is a step in the right direction

Press Trust of India

In a bid to speed up small value online transactions, the Reserve Bank of India (RBI) on Tuesday relaxed norms for additional factor of authentication (AFA) for payments up to Rs 2,000.

Relaxing the norms for AFA requirement for transactions up to Rs 2,000 for online CNP (card not present) transactions, the RBI said only authorised card networks will provide such payment authentication solutions with participation of card issuing and acquiring banks.

"The relaxation for additional factor of authentication under such solutions shall be applicable for card not present transactions for a maximum value of Rs 2,000 per transaction across all merchant categories. Banks and card networks are free to facilitate their customers to set lower per transaction limits."

In this model, the card issuing banks will offer the payment authentication solutions of the respective card networks to their customers on an optional basis. Customers opting for this facility will go through a one-time registration process requiring entry of card details and additional factor of authentication by the issuing bank. "Thereafter, the registered customers will not be required to re-enter the card details for every transaction at merchant locations that offer this solution and thereby save

time and effort," the central bank said. The card details already registered would be the first factor while the credentials used to login to the solution would be the additional factor of authentication.

RBI banks and authorised card networks offering such solutions will bear the full liability in the event of any security breach or compromise in the authorised card network.

Welcoming the move, Uber India said it is a step in the right direction.

"This waiver is a big leap in the right direction to bring ease and convenience to the use of cards over cash and will strengthen the foundation for India to become a leading digital economy," said Amit Jain, President, Uber India.

4. Demonetisation fallout: Bank unions threaten to agitate, plan strike against work pressure

While the govt and RBI say there has been some improvement in supply for currency notes in the system, the ground reality is different

Abhijit Lele

Bank unions are planning agitation, including strike, to highlight the heavy work pressure faced by employees in the wake of demonetisation and lack of improvement in supply of currency notes.

While the government and the Reserve Bank of India (RBI) say there has been some improvement in supply for currency notes in the system, the ground reality is different, say the unions.

C H Venkatachalam, general secretary of All India Bank Employees Association (AIBEA), told *Business Standard* that if the problems for bank employees continue, the unions would be compelled to strike.

According to Venkatachalam, many ATMs are running out of cash and people have to stand in long queues at bank branches, making them restless and unruly, escalating into quarrels with bank staff. Having to work under such circumstances affects employees' physical as well as mental health, he added.

He said the situation is increasingly becoming unbearable and employees, including officers, are on the brink of losing their patience owing to sheer fatigue. They are unable to tell customers when the normal supply and flow of cash would be restored, AIBEA said.

While the problem of cash crunch still persists, lack of enough supply of small-denomination currency notes is also a problem because the banks are yet to get the new Rs 500 currency notes and customers are reluctant to accept Rs 2,000 notes.

Similarly, Rs 100 notes are also in short supply. As a result, ATMs are non-functional and branches are finding it tough to deal with agitated customers, the union noted.

Another problem is that RBI is supplying soiled and damaged Rs 100 currency notes, which customers are unwilling to accept. For employees also, dealing with soiled notes is a big health hazard, AIBEA said.

Financial Express

5. Decision-day guide: Seeking clarity on PM Narendra Modi's clampdown on cash

Investors have one big question for India's central bank at Wednesday's policy review: will Prime Minister Narendra Modi's clampdown on cash hurt economic growth and how deep will the pain go?

By: [Bloomberg](#)

Investors have one big question for central bank at Wednesday's policy review: will Prime Minister Narendra Modi's clampdown on cash hurt economic growth and how deep will the pain go?

Private analysts predict that India will lose its status as the world's fastest-growing big economy this quarter, as the government's shock decision last month to ban 86 percent of currency in circulation dents demand. While Modi's administration last week said it's too early to assess the impact of the move, indicators since then point to a downturn.

That warrants a cut in the benchmark repurchase rate to 6 percent from 6.25 percent, according to 31 of 44 economists in a Bloomberg survey. Five predict a reduction to 5.75 percent and eight see no change.

"It is possible that the central bank could decide to front load rate cuts if it perceives the negative impact on growth to be severe and long," Kaushik Das, Mumbai-based economist at Deutsche Bank AG, said in an e-mail. "We see risks to growth biased to the downside."

Governor Urjit Patel is joined by two Reserve Bank officials and three academics on the monetary policy committee. Here's what to look for in the policy statement, which is scheduled for release at 2:30 p.m. in Mumbai followed by a press conference 15 minutes later.

Clear-Eyed Assessment

Patel — who's been criticized for staying low amid the cash chaos — told Bloomberg Quint last month that the Reserve Bank of India is assessing the impact of Modi's Nov. 8 decision and would list its observations at the monetary review.

Recent indications are bleak. Economists slashed their forecasts for October-December growth to 6.5 percent from 7.8 percent, lower than the 6.7 percent analysts project for China. Private gauges published over the past week signal a contraction in the key services sector that contributes about 60 percent to gross domestic product.

The slump in demand is expected to slow inflation, pushing the consumer price index down from a 14-month low hit in October.

Fed Decision

Patel and his rate panel will also have to factor in an expected increase in interest rates when the Federal Reserve meets next week. Investors, in anticipation, have started pulling money out of emerging markets such as India, roiling the rupee that sank to a record low in November.

The country's currency had its worst November in five years as overseas investors withdrew a net \$2.6 billion from local shares and foreign holdings of the nation's sovereign and corporate bonds dropped by \$2.1 billion.

A steeper-than-expected cut in India's policy rate would undermine the rupee, Gao Qi, Singapore-based foreign-exchange strategist at Scotiabank, wrote in a report on Tuesday.

Liquidity Juggle

The most immediate concern for Patel, however, would be a surge in banking liquidity as citizens rush to exchange their defunct currency notes. With money-market rates tumbling, the central bank resorted to extraordinary measures to protect India's financial stability.

On the streets, Indians are concerned about a lack of cash as the nation's mints struggle to replace the more than 23 billion bills sucked out by Modi's move. While the crucial pay day period has passed, the festival and wedding season continues through March, keeping demand for money high.

"The Reserve Bank of India is likely to outline measures to manage the systemic liquidity, which would be of interest to the banks, and provide some timeframe by which cash liquidity would increase, that would be of significance to the public," said Naresh Takkar, managing director at ICRA Ltd., the local unit of Moody's Investors Service.

Times of India

6. New Rs 100 notes from RBI soon, older notes to continue

IANS

The Reserve Bank of India (RBI) will shortly issue Rs 100 denomination banknotes, with some changes on both sides of the note, an official statement said here on Tuesday.

However, the old notes of this denomination will continue to be legal tender, it added.

"The Reserve Bank of India will shortly issue Rs 100 denomination bank notes in the Mahatma Gandhi Series-2005, without inset letter in both the numbering panels, bearing the signature of Urjit R Patel, governor, Reserve Bank of India, and the year of printing '2016' printed on the reverse of the bank note," the statement said.

The design of these bank notes to be issued now is similar in all respects to the Rs 100 bank notes in Mahatma Gandhi Series-2005 issued earlier having ascending size of numerals in the number panels, bleed lines, and enlarged identification mark, on the obverse.

"Reserve Bank of India had also issued Rs 100 denomination bank notes with the ascending size of numerals in the number panels but without bleed lines and enlarged identification mark. These bank notes will remain in circulation concomitantly with the bank notes being issued now," the statement added.

The apex bank did not say how many such notes would be printed.

Business Line

7. PNB sues Member of Parliament from AP for ₹81-crore default

OUR BUREAU

Punjab National Bank has sued Kothapalli Geetha, Member of Parliament from Araku Valley, Andhra Pradesh, and her husband and Managing Director of Visweswara Infrastructure PRK Rao, for not paying dues worth ₹81.21 crore.

Rao had taken a term loan of ₹25 crore from PNB's Large Corporate Branch, Banjara Hills, Hyderabad, on December 30, 2008 which became a non-performing asset on December 31, 2009. After a cheque for ₹25 crore given by Rao bounced, the bank filed a criminal case against him and Geetha, a director of the company and the guarantor. Geetha was elected to Parliament on an YSR Congress Party ticket. Subsequently, a special judicial magistrate court found Rao guilty and he was asked to pay ₹25.25 crore to the bank. He was also sentenced to two years simple imprisonment. The court, however, acquitted Geetha.

"We filed an appeal before VIII Additional Metropolitan Sessions Judge and obtained a personal notice to be served to her by the bank which will be served now," PNB said in a release issued here.

Arrest warrant

An arrest warrant has also been issued, directing the Commissioner of Police Visakhapatnam to produce Rao before the court. A case has also been registered with the Central Bureau of Investigation for the security fraud in the loan account. "The present dues of the company to the bank as on November 30, 2016 is about ₹81.21 crore," PNB said.

8. Old notes windfall: Canara Bank sees better recovery of MSME loans

ANIL URS

Canara Bank expects a windfall in MSME (micro, small and medium enterprises) and SME (small and medium enterprises) recoveries post demonetisation.

"There is a good chance of recoveries during this period in Non-Performing Assets (NPAs) and we are coming out with various one-time settlement (OTS) schemes to mobilise more," Rakesh Sharma, Managing Director & CEO of the bank, told *BusinessLine*.

Accepting old notes

"Post demonetisation, we are talking to borrowers for NPAs settlement. In case they have old notes, they can be deposited in their loan accounts. I feel it will help improve the recovery rate," he said.

"Initially, collection under demonetisation was slow because of some uncertainty. Now after RBI's clarification and after it allowed exchange of old notes of ₹500 and ₹1,000, things are improving," Sharma said.

Mudra Financing

In SME lending under Mudra Financing, Canara Bank is the frontrunner. The bank's advances to priority sector were 53 per cent as against the minimum requirement of 40 per cent, he said.

Once things stabilise, after second week of December, new demand is expected to come, and then there is a good scope for financing Mudra Loans and new start-up schemes also, he said.

The bank has taken a conscious decision to go aggressive on Mudra Loans, Sharma said.

"I think in Q4, we will see good growth in SME advances. As far as NPAs are concerned, as they mainly deal in cash, they are affected," Sharma said.

For many units where instalments are due, they are being extended concessions as per RBI norms. "Although it is not restructuring, it will help us in reducing the pressure on NPA advances and once the economy is back on track, by January, everything will likely be normal," he added.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY