



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
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Dear Comrades,

16<sup>th</sup> August , 2016

**News of Interest 16th Aug:**

**QUOTES**

“YOU CAN NEVER QUIT. WINNERS NEVER QUIT, AND QUITTERS NEVER WIN.”

TED TURNER

1. LISTED PSBS IN RED FOR A THIRD QUARTER
2. PAIN FOR SBI'S ASSOCIATE BANKS TO STAY IN Q2: SBI CHIEF
3. RBI SHOULD CONTINUE WITH RAJAN'S POLICIES ON INFLATION, SAYS MOODY'S
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**1. Listed PSBs in red for a third quarter**

Pace of additions to NPAs slower but provisioning pressure will continue for a while

Abhijit Lele

With large amounts to be set aside as provision for bad loans, listed public sector banks (PSBs) as a group posted a net loss in the June quarter, third such in their loss-making run.

The net combined loss for the 25 listed PSBs was Rs 1,193 crore in the quarter, as against a net profit of Rs 9,449 crore in the same period of 2015.

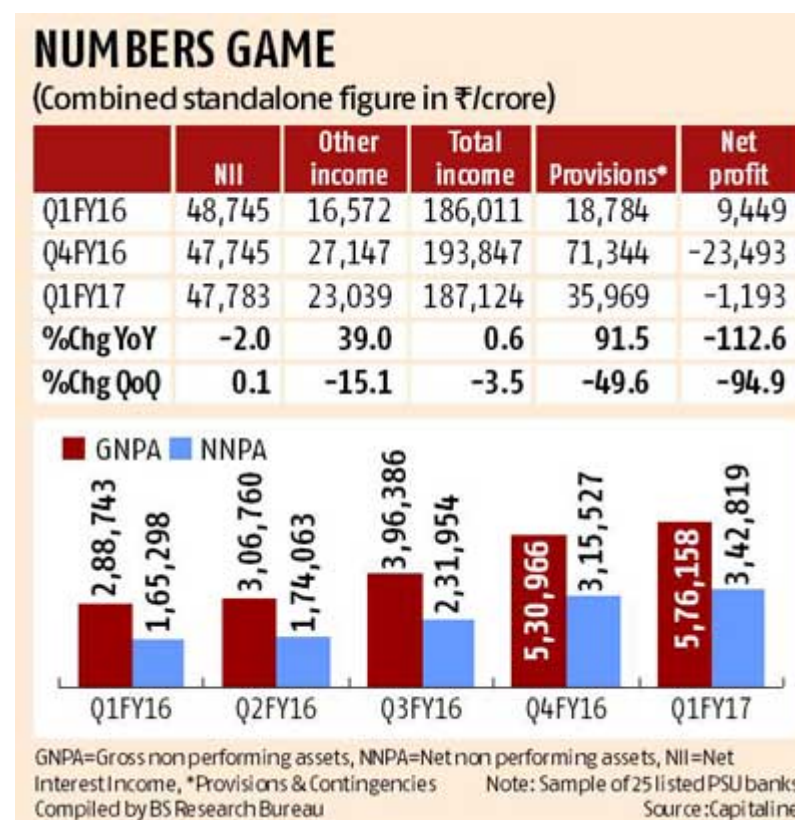
Bank executives and analysts say credit growth was tepid from many quarters, affecting interest income. And, a surge in slippages, warranting huge provisions.

The only saving grace was healthy growth in non-interest income (39 per cent), mainly revenue from treasury operations that benefited from easing of the yield on bonds..

Sequentially, the PSBs trimmed their net loss, from Rs 23,493 crore in the March quarter, the final one of 2015-16. They had reported a loss of Rs 10,794 crore in the December quarter.

The provisions (predominantly for non-performing assets) and contingencies almost doubled to Rs 35,969 crore, from Rs 18,784 crore a year before. Sequentially, however, the burden of provisions came down from the Rs 71,344 crore in January-March.

A PSB executive said pressure on the balance sheet would continue over some more quarters, as the banks would have to set aside money for aging loans (those remaining as NPAs for a longer period).



The Reserve Bank had asked banks to recognise and make provision for weak assets under its Asset Quality Review in the third and fourth quarters of FY16, with the aim of cleaning their balance sheets fully by March 2017. This exercise has put pressure on bank books for the short term, though it should strengthen balance sheets to finance fresh credit in the long term.

The pool of gross NPAs has almost doubled in one year, to Rs 576,158 crore by end-June 2016, from Rs 288,743 crore. The pace of sequential

additions to the bad loan kitty slowed, compared to gross NPAs of Rs 530,966 crore in end-March.

Net interest income (NII) dipped two per cent to Rs 47,783 crore in the June quarter, from Rs 48,745 crore a year before. In the March quarter, it was a combined Rs 47,745 crore. NII was impacted by reduction in lending rates and reversal of interest income for accounts that slipped into the NPA category, said State Bank of India head Arundhati Bhattacharya.

Non-interest income was up 39 per cent to Rs 23,039 crore, from Rs 16,572 crore in April-June 2015.

## 2. Pain for SBI's associate banks to stay in Q2: SBI chief

Says associates will report better performance from the subsequent quarter  
 Abhijit Lele

Associate banks of State Bank of India (SBI) will experience another painful quarter as they align asset quality review accounts with that of the parent, to make way for smoother integration later this financial year.

Four out of the five associate banks posted net losses in the first quarter ended June 2016 (Q1 FY17). Only State Bank of Hyderabad posted net profit at Rs 28 crore. State Bank of Travancore posted loss of Rs 710 crore and State Bank of Patiala loss of Rs 610 crore. State Bank of Mysore reported loss of Rs 475 crore followed by State Bank of Bikaner and Jaipur at Rs 272 crore.

Arundhati Bhattacharya, chairman of State Bank of India, said: "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."

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 2016, impacting profitability. Associates would report better performance from the subsequent quarter, SBI chief said.

Gross non-performing loans of five banks collectively rose to 13.64 per cent in June 2016 from 11.86 per cent in March 2016. Their provision coverage ratio deteriorated from 60.03 per cent in March 2016 to 54.47 per cent.

The Reserve Bank of India (RBI) had asked banks to recognise and make provisions for weak assets under AQR to clean up balance sheets by March 2017. This exercise put pressure on bank books in the short term. However, the AQR is expected to strengthen balance sheets to finance fresh credit in the long term.

SBI intends to merge all five associate banks with itself by March 2017. The boards of SBI and associate banks and the government have already approved the merger. SBI is conducting valuations to firm up share-swap ratio for mergers. However, SBI is yet to announce the sequence and timing for the merger of each bank. It has only indicated that it would first integrate the corporate banking business as 60-70 per cent of the clients were common.

As for retail branches, the group would chalk out circle-wise plans.

### **3. RBI should continue with Rajan's policies on inflation, says Moody's**

Press Trust of India

Governor Raghuram Rajan's policy of tight leash on inflation has showed results and the Reserve Bank should continue with similar policies and communication going forward, Moody's Investors Service has said.

Marie Diron, Senior Vice President, Sovereign Risk Group, Moody's Investors Service, said credibility and effectiveness of monetary policy are factors which impact India's sovereign ratings.

Moody's has a 'Baa3' rating on India, with a positive outlook.

"In the last two years, India's inflation has fallen to more moderate levels, likely in part because of more credible monetary policy that has anchored inflation expectations. We expect the RBI to continue with similar policies and communication, showing commitment to achieve its inflation target," Diron told PTI.

A monetary policy with tight leash on inflation is important, especially in India, where in the past inflation has risen to very high levels, negatively affecting growth and investment prospects.

Rajan, who demits office on September 4, has been pilloried by his critics for keeping interest rates high and has also been accused of stifling growth.

Rajan had challenged these critics to show how inflation is "very low" before accusing him of "being behind the curve" in his focus on containing price rise than on growth.

Consumer Price Index or retail inflation rose by 6.01 per cent in June, the fastest pace in 23 months and it is expected that the implementation of the new goods and services tax (GST) may push up inflation further. Diron also said inflation targeted monetary policy enhances transparency and is suited for India's specific economic and institutional structures.

"In India, inflation targeting has likely contributed to enhancing the transparency and predictability of monetary policy, two important elements to foster its credibility and effectiveness," she said.

Diron said with around half the consumption basket consisting of food, whose prices are less predictable than others, India's inflation will continue to face periodic upside risks. "If credible, monetary policy can contribute to preventing food-driven spikes in inflation from spilling over to other prices and wages," she said.

The government, in consultation with the RBI, has set an inflation target of four per cent within a band of (+/- 2) per cent for five years to 2021. The next monetary policy on October 4 is likely to be decided by a six-member interest rate setting panel, instead of the present practice of RBI governor deciding the interest rate.

The Monetary Policy Committee will set interest rates by majority, with a casting vote for the central bank governor in the event of a tie. The six members of MPC, three will be from RBI — Governor, who will be the ex-officio chairperson, a deputy governor and an executive director.

The other three members will be appointed by the central government, on the recommendations of a search-cum-selection committee, which will be headed by the Cabinet Secretary.

Financial Express

#### **4. Allahabad Bank post Q1 loss of Rs 565 cr**

Allahabad Bank today reported a loss of Rs 564.9 crore for the first quarter ended June 30 on significant jump in provisions for bad loan.

By: PTI

Allahabad Bank today reported a loss of Rs 564.9 crore for the first quarter ended June 30 on significant jump in provisions for bad loan.

The state-run bank had earned a net profit of Rs 146.8 crore in the April-June quarter of last fiscal.

Total income declined to Rs 5,122.9 crore as against Rs 5,396.4 crore in the same period last year, the bank said in its regulatory filing to the stock exchanges

Provision and contingencies nearly doubled to Rs 1330.7 crore from Rs 854.7 crore in the year-ago period.

As on June 30, the bank's gross non-performing assets (NPAs) increased to 12.33 per cent of advances, as against 5.29 per cent at the end of first quarter last fiscal.

Net non-performing assets also rose to 8.69 per cent as against 3.67 per cent as on June 30, 2015.

The company's share price, however, rose 3.3 per cent to Rs 75.60 at the BSE.

## **5. Petrol price cut by Rs 1 per litre, diesel by Rs 2 per litre**

Petrol price was today cut by Rs 1 per litre and diesel by Rs 2 a litre, the fourth decrease in rates within two months. The revised rates will be effective from midnight.

By: FE Online

Petrol price was today cut by Rs 1 per litre and diesel by Rs 2 a litre, the fourth decrease in rates within two months. The revised rates will be effective from midnight.

Petrol will now cost Rs 60.09 a litre in Delhi as compared to Rs 61.09 a litre currently. Similarly, diesel will cost Rs 50.27 per litre as against Rs 52.27 currently. Earlier, Petrol price was cut by Rs. Rs. 1.42 a litre and diesel by Rs. 2.01 paise a litre on July 31st. Prior to slashing the petrol/diesel prices fourth time in a two within the period of two months, the rates had been hiked four times between May 1 to June 31. The government had faced sharp criticism by opposition parties for not passing the benefits of lower oil prices to the consumers.

"The current level of international product prices of petrol and diesel and Rupee-US Dollar exchange rate warrant decrease in selling price of petrol and diesel, the impact of which is being passed on to the consumers with this price revision," the Indian Oil Corporation had said to PTI when the oil prices was slashed last month.

IOC also said, "The movement of prices in the international oil market and rupee-USD exchange rate shall continue to be monitored closely and developing trends of the market will be reflected in future price changes."

## **6. Need for branches will not disappear in next 10-12 years: Arundhati Bhattacharya**

K RAM KUMAR  
NS VAGEESH

State Bank of India started the process of assimilation of associate banks into its fold in 2008 with State Bank of Saurashtra. Two years later, State Bank of Indore got merged with its parent. After a hiatus of almost six years, India's largest bank has rekindled the unfinished merger agenda — of consolidating the remaining five associate banks with itself, albeit with a little nudge from the government.

Now, SBI is planning to do this in one go and expects to complete the process by March 2017. Along the way, it will also acquire Bharatiya Mahila Bank. In an

interview to *Business Line*, Chairman Arundhati Bhattacharya outlines how the consolidation will wring out efficiencies for her bank, the possibility of adding two more circles, and why despite advances in technology, branches will still be needed. Excerpts:

### **What advantages will accrue to SBI due to consolidation?**

I believe that there are a lot of inefficiencies right now on account of duplications. If you have six corporate centres, six treasuries, six of everything and then if you bring it down to one of everything, obviously there are some savings.

So, that saving will come. It (savings) will come in the corporate centre (in the administrative set-up), it will come in treasury, it will come in the large corporate and mid-corporate (verticals). When it comes to large corporate and mid-corporate clients, many of their (associate bank) accounts (80-85 per cent of their accounts) we also have. So, it is a question of putting together the amount. These are not new accounts coming to us.

So, to that extent, you know, it is not something that will need more staff.

And while I am able to get good skilled staff — so if treasury gives me some people, large corporate gives me some people who are well trained — I can deploy them in the proper places so as to make our operations even better. So to that extent, I think, overlaps will be taken out, inefficiencies will decrease.

Similarly, in respect of products and processes, we will be able to bring the best of those to the entire group. Today, for instance, when we implement something in the digital space, it takes about a month for us to start implementing it with the subsidiaries. So, in spite of our best efforts there is still a time lag. Now that time lag will no longer exist. So, the whole of it will happen simultaneously.

And that will give me a better handle on the risks as well because the risks we perceive today should be known to the entire organisation immediately.

But because they (associate banks) are separate board-run banks, it sometimes doesn't happen like that. In the recent past you have seen that some of the SBI subsidiaries have had some penalties being levied.

We were firmly of the opinion that if this had been one institution, then probably this would not have happened because those same risks were perceived by us and we took some amount of action on them.

But by the time it was communicated and understood by the others, some things had already gone past us.

So, our belief is that if you look at the organisations (SBI and associate banks), they are very alike. And if we put them together, we will be able to make them more efficient, curb redundancies, and therefore make more commercial sense out of the whole organisation.

### **You will be adding a bank probably of the size of an ICICI Bank by March 2017. How will you manage this?**

Maybe we will look at opening one or two more circles. So, some States will become independent circles. We have not opened circles for a long time. So, probably we are looking at a separate circle for Andhra Pradesh and one for Rajasthan. So, that probably will happen.

Today, for instance, we have a Deputy Managing Director and Chief Operating Officer. This position was not there till two years back. It was only two years back that we put in DMD as the Chief Operating Officer because our operations have become very large.

But today we also have the advantage of technology. So, it helps us, especially regarding operations — what is down, where it is down and things like that.

### **Will consolidation not trigger branch rationalisation?**

Of course, there will be some amount of rationalisation. I am not saying that branches will get closed down, but definitely branches will get shifted because in many places we have branches very close to one another and it does not make sense. Because we are a legacy banker, we are there in many of the older parts of the communities.

Today, most of these towns are spreading out, they are multiplying. For example, greater Mumbai has become much bigger and in those places (city outskirts) we may not be having that many branches.

So, we will take this opportunity to improve our footprint while ensuring that we put proper distance amongst branches and ensure that there is better coverage of the population.

### **With the advent of alternate delivery channels, will you need so many branches?**

Actually, if you go to our branches and see the number of footfalls, then you will realise that India has a very peculiar demography. It is a young country with a median age of 26.2, I'm told.

But it has also got a lot of people who are of the older generation. And the older generation people still believe in brick-and-mortar banking. So, in the next 10-12 years I don't think the need for branches will disappear. It will still be there.

Of course, the numbers we may be able to bring down, especially in metro and urban areas. But in rural and semi-urban areas, I think, the requirement will still be there.

We still have customers who don't even know where to put their left thumb impression (on documents, withdrawal/pay-in slips).

We have to literally take them by their hand and have it put for them there....So, in all these cases, we train our people to tell them verbally the amount of money we are handing over.

So, in the case of all such people, where we know that the customer is unable to read and write, we have a special way of handling them. We have such customers.

On the other hand, we have customers who are comfortable anywhere in the world. So, they are global customers.

So, I have all kinds (of customers). And I have to be everything for everybody. And that is why we have now a very varied channel strategy....The branches will be different for people in different localities. If it is a new locality, the branches will be more digital, with less people and less cash. If it is in a very old locality or in a semi-urban place, the branch will be more people-oriented with more cash.

Besides the branch, we also have business correspondents, which is the franchisee model. And we are pushing that very hard because we know that the ultimate last mile reach, especially for small communities, is going to be through these people. So, we are trying to enrich the offerings that a BC can give to its customers.

### **Will you cast the consolidation net wider to include more banks?**

At this point in time, no. We are already very large. We are now two times our next competitor. With this merger (of five associate banks and Bharatiya Mahila Bank with SBI), we will become three times our next competitor.

Now you don't want to grow so big...there I would say that we halt for a little while, consolidate, and then think about it. At this point in time, we are not thinking on those lines.

(This article was published on August 15, 2016)

## **7. Banks shifting focus from core business: AIBEA**

**L N REVATHY**

A policy and enforced regulation to restrict cross-selling of products in banks is the need of the hour, says CH Venkatachalam, General Secretary, All India Bank Employees Association (AIBEA).

Asserting that banks have shifted focus from their core business (of lending and accepting deposits), he said: "Lots of diversion of deposits is taking place in the name of cross-selling. Employees are being pressured to sell insurance products, of which they lack expertise.

"The bank's infrastructure is utilised by insurance companies in return for a commission and targets are given to bank staff for achieving insurance business — not deposit targets," he clarified, adding "the AIBEA is going to take up this issue with the government."

On payment banks, Venkatachalam alleged that the same is strategically designed to divert the hitherto creamy business to private hands and choke the supply line of revenue to public sector banks.

"PSBs earn substantial revenue from small business. If taken out, it will spell the death-knell for PSBs. The government is encouraging such suicidal policies."

"Interestingly, big players are interested in this business. On the one hand, the government is in favour of merger and acquisition and on the other, it is encouraging small payments banks. This shows the dichotomy against PSBs," he said, emphasising the need for strengthening PSBs in such areas of banking services.

"Banking is becoming highly professional, but there is no planning. Banks are tending to cut short on recruitment, while looking to reach out to the hitherto unbanked pockets. About two lakh manpower is needed in the industry," he said, citing an AIBEA estimate, adding "this could double in the next four to five years as more people retire and with growth in the size of the institution itself."

(This article was published on August 15, 2016)

## **8. Will keep inflation in check, stay away from populism: Modi**

**Vowing to keep inflation under control, Prime Minister Narendra Modi today said he has tried to stay away from populism which the past regimes practiced to get recognition while "emptying the exchequer".**

Giving the 'reform, perform and transform' slogan in his third Independence Day address, Modi said the government has to be sensitive, responsible, accountable, transparent and efficient to complete the journey from 'Swarajya' (self-governance) to 'Suraj' (good governance).

"It has been a tradition in this country for governments to make populist announcements and emptying the exchequer to get recognition. I have tried to stay away from resorting to this kind of populism," he said from the ramparts of the Red Fort.

He said he wishes to focus not on the work done by the government, but on its work-culture.

Stating that his government's motto was transparent and accountable good governance, he said steps are being taken with a view to 'reform, perform and transform'

### **Winds of change**

He cited online registration in major hospitals, promptness in income tax refunds, speeding up of the process of passport delivery, faster company registrations, and ending interviews for Group C and Group D positions in the government as examples of the change taking place in the country.

Stating that the speed of delivery in vital areas had increased, he said the pace of construction of rural roads has gone up from 70—75 km per day to 100 km a day.

There has been quantum jump in construction of renewable energy projects both in wind and solar energy, he said, adding that transmission lines needed to take electricity to consumption centres are being laid at 50,000—km a year speed as against 30,000—35,000 km previously.

Also, cooking gas connections have gone up by 4 crore in 60 months as against 14 crore connections released in 60 years, he said, adding that 21 crore bank accounts have been opened under the Jan Dhan Yojana, 2 crore toilets built in rural areas, and 10,000 electrified villages electrified in a short span of time.

Modi said his government has not allowed the rate of price rise to cross 6 per cent as opposed to the double digit inflation during previous government.

"We have made a lot of efforts to contain price rise," he said. "I will do all it takes to ensure that the poor man's food plate does not become expensive."

Prime Minister said the just passed legislation on Goods and Services Tax (GST), which will replace a raft of different central and state levies, will strengthen growth efforts and make economy more predictable.

Modi said the government is more attentive to substance, rather than symbolism; integrated development rather than isolated development; and empowerment rather than entitlement.

### **Stuck projects**

Spike in prices of pulses was a matter of concern, he said, adding that the area under pulses cultivation has increased 1.5 times. The rise in vegetable prices, he said, was on account of deficient rains earlier.

He elaborated on the integrated approach that the government has taken towards the agriculture sector, which includes focus on soil health cards, irrigation, solar pumps, seeds, fertilisers, and crop insurance.

The Prime Minister said the price of energy—efficient LED bulbs has been brought down to Rs. 50 from Rs.350 earlier and the government is working to complete stalled or long pending projects as well as shortening the time required for project approvals in important sectors.

While 118 stalled projects worth Rs. 7.5 lakh crore are being revived through monthly monitoring at Prime Minister's level, another 270 projects costing Rs. 10 lakh crore that have been languishing for many years have been identified for re— starting.

Modi said stuck projects, delays and wastage of money is criminal negligence.

Giving illustrations of effective delivery, he mentioned clearance of arrears of sugarcane farmers in Uttar Pradesh, new LPG connections, and PSUs such as Air India and BSNL reporting operational profits.

### **Transparency**

Mentioning the emphasis on transparency, he said subsidies are being better targeted to those that need them.

Modi said international rating agencies have acknowledged the progress in key areas of governance.

Stating that various initiatives and programmes are contributing to employment generation, he said, the Model Shop and Establishment Act will facilitate opening of shops on all days.

Also, Provident fund (PF) portability has been provided to help utilise the Rs. 27,000 crore of retirement benefits lying unused because of workers changing jobs or cities.

(This article was published on August 15, 2016)

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**