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Dear Comrades,

18th August , 2016

News of Interest 18th August

QUOTE OF THE DAY

“THE PRICE OF SUCCESS IS HARD WORK, DEDICATION TO THE JOB AT HAND, AND THE DETERMINATION THAT WHETHER WE WIN OR LOSE, WE HAVE APPLIED THE BEST OF OURSELVES TO THE TASK AT HAND.”

VINCE LOMBARDI

- 1. SHAPE UP OR LOSE OUT: RBI'S GANDHI TO BANKS**
- 2. TELANGANA AGAINST MERGER OF STATE BANK OF HYDERABAD WITH SBI**
- 3. PSU BANKS UNDERPAY AT TOP; I TOO FEEL UNDERPAID: RAJAN**
- 4. AXIS BANK REDUCES LENDING RATE BY 0.05% ACROSS ALL TENORS**
- 5. FEDERAL BANK TIES UP WITH MMTC TO OFFER INDIAN GOLD COIN**
- 6. EMPLOYERS CAN PAY PF DUES THROUGH PAY GOV PORTAL: EPFO**
- 7. RUPEE TRAPPED IN A NARROW RANGE**
- 8. BANK OF INDIA LOOKS TO RAISE RS 500 CR MORE FROM ASSET SALE THIS YEAR**
- 9. RIO OLYMPICS: SPIRITED SAKSHI MALIK ENDS INDIA'S MEDAL DROUGHT WITH A BRONZE IN WRESTLING**

Business Standard

1. Shape up or lose out: RBI's Gandhi to banks

NBFCs have captured space vacated by lenders ignoring SME segment

Anup Roy

Reserve Bank of India Deputy Governor R Gandhi on Wednesday chided banks for neglecting the small and medium enterprises (SME) segment and warned that if the lenders did not fulfil their social responsibilities, the very existence of banks would be in jeopardy.

It is not that the SME segment has not been profitable, but banks have shown a

lacklustre attitude towards the "big area". As a result, new generation financial technology (fintech) companies and non-banking financial companies (NBFC) have entered the space and have become "instant success," Gandhi said.

Indian banks are not alone in their apathy towards the SME segment. Neglected throughout the world, the funding gap to the SME segment is about \$2 trillion in emerging markets alone, Gandhi said quoting a study.

In India, fintech companies have "entered the area and have become an instant success." If banks have to be socially relevant, they need to claim the space back.

"If only you become socially relevant and not just economically relevant, you have a chance of existence," Gandhi warned banks at the valedictory session of the two-day long Fibac conference on banking.

"Banking is necessary, banks are not," Gandhi said, starting his speech, quoting Microsoft founder Bill Gates' 1994 remark.

Elaborating, the RBI deputy governor said with the emergence of new players in the lending game, including social media companies engaging in banking, the relevance of banks was fast fading.

The millennial generation seeks instant gratification, and has no loyalty towards brands, while the older generation wants improved return on their investments and more transparency.

NBFCs have already cornered the banks by offering services that could be better in comparison with those offered by the existing banks. The right to enjoy a special status as well as earning fatnet interest margin (NIM) is something that banks will have to justify in future. Surely, that is the situation already after the credit crisis, as demonstrated by protests in the western world, he said.

NIM is the difference between yields on advances and cost of deposits and is the most important factor in measuring a bank's profitability. Indian banks enjoy NIM of three per cent or more, one of the highest in the world. This high NIM regime cannot continue for long, reasoned Gandhi.

"Banks of the future will not be the same as yesterday's and today's. A new paradigm of banking is needed," Gandhi said. "Take advantage of the new technology to enmesh customer experience."

2. Telangana against merger of State Bank of Hyderabad with SBI

State's finance minister Etela Rajender says SBH should retain its identity. It is a Telangana bank

Press Trust of India

The Telangana government is against the proposed merger of State Bank of Hyderabad (SBH) with the parent State Bank of India (SBI), state's finance minister Etela Rajender said on Wednesday.

"SBH should retain its identity. It is a Telangana bank. It has to remain that way," the minister told PTI. "It was in existence even before 1956... it belonged to the (erstwhile) Hyderabad state... in Nizam's era."

Asked if there was a proposal to pass a resolution in the legislative Assembly opposing the move, similar to Kerala adopting a motion against State Bank of Travancore (SBT)'s merger with SBI, he said he hasn't yet talked to the Chief Minister K Chandrasekhar Rao on the issue.

"We have to take some decision (in formally opposing SBH's merger with SBI)", Rajender said.

The Union Cabinet had recently given its nod for the merger of five associate SBI banks, including SBH and SBT, with the parent lender, along with the Bharatiya Mahila Bank.

3. PSU banks underpay at top; I too feel underpaid: Rajan

In a lighter vein, Rajan said he felt he was "underpaid" as PSBs tend to overpay at the bottom but underpay their top executives

Abhijit Lele & Agencies

Making a strong case to cut the regulatory maze surrounding public sector banks (PSBs),

Reserve Bank of India (RBI) Governor Raghuram Rajan said their boards should be empowered to take all major governance decisions freely without having multiple "constituencies to satisfy". In a lighter vein, Rajan said he felt he was "underpaid" as PSBs tend to overpay at the bottom but underpay their top executives.

Rajan, who exits office next month, also proposed withdrawing the central bank nominees from their boards.

"Today, a variety of authorities — Parliament, the Department of Financial Services (DFS), the Banks Board Bureau (BBB), the board of the bank, the vigilance authorities, and of course various regulators and supervisors including the RBI — monitor the performance of the public sector banks," the RBI governor said in his inaugural address at the FICCI-IOBA banking conclave here on Tuesday. "With so many overlapping constituencies to satisfy, it is a wonder that bank management has time to devote to the management of the bank."

Flagging difficulties in getting top talent at PSBs, Rajan said: "One of the problems, of course, is that as with all public sector entities, you overpay at the bottom and underpay at the top. Yes, you feel that you are doing the job for the broader public but you just make it harder to attract top talent, specially a lateral entry."

According to the latest data on monthly salaries made public by RBI, Rajan's total monthly emoluments stood at Rs 1,98,700 for the month of July 2015. Rajan, on-leave professor of finance at Chicago University and former chief economist at the IMF, will return to academia after his term at RBI ends in September.

The top-level salary disclosures made by the banks in their respective annual reports show a sharp difference between the total remuneration paid at the public sector and private sector entities. State Bank of India Chairman Arundhati Bhattacharya was paid about Rs 31.1 lakh in FY16, while private lender HDFC Bank's Managing Director Aditya Puri's total remuneration for the same period was more than 30 times higher at Rs 9.7 crore.

Rajan suggested giving rewards like employee stock ownership plans (ESOPs) to

PSB staff by taking advantage of the current low share valuations of public lenders.

Rajan also stressed on the need to streamline and reduce the overlaps between the jurisdictions of the authorities, while specifying "clear triggers or situations" where one authority's oversight is invoked.

Agencies like the Comptroller and Auditor General and Central Vigilance Commission should get involved only in extraordinary situations where there is evidence of malfeasance, and not when legitimate business judgement has gone wrong, he said. These suggestions should be viewed as opening a discussion rather than RBI's formal view, he clarified.

For the finance ministry's DFS, the nodal department for the banking sector, Rajan favoured programme-specific roles (such as for the Jan Dhan Yojana) as also coordinating and developmental roles.

On RBI, he said, it would perform a purely regulatory role and withdraw its representatives on bank boards, while adding this would require legislative change.

"Over time, RBI should also empower boards more, for instance, offering broad guidelines on compensation to boards but not requiring every top compensation package be approved," he said.

In the interim, till the bank boards are professionalised, he favoured the mandate for this to be vested with the fledgling BBB so that it can help improve the governance and management structures at PSBs by allowing it to fully handle the appointments.

The comments assume significance in the wake of PSBs facing a huge burden of bad loans and amid calls from several quarters for professionalising their boards.

"Though the most pressing task for public sector banks is to clean up their balance sheets, a process which is well underway, a parallel task is to improve their governance and management," Rajan said, calling for allowing the BBB to handle the entire process of appointment of the top management.

Financial Express

4. Axis Bank reduces lending rate by 0.05% across all tenors

Private sector lender Axis Bank today cut lending rate by 0.05 per cent, a move which will lower EMIs for its new borrowers.

By: PTI

Private sector lender Axis Bank today cut lending rate by 0.05 per cent, a move which will lower EMIs for its new borrowers.

The new rate for one-year lending tenure has been reduced to 9.25 per cent from 9.30 per cent, Axis Bank said in a statement.

Similarly, the two-year marginal cost of funds based lending rate (MCLR) stands reduced to 9.35 per cent from 9.40 per cent and while three-year will cost borrowers 9.40 per cent from 9.45 per cent.

"Accordingly, new loans will be priced at the published internal benchmark MCLR with effect from August 18," it said.

RBI introduced MCLR from April 1, this year for faster transmission of policy actions into actual lending rates by the banks. Lenders are given the leeway to review their MCLR once in a month and it is the hope of the RBI that the competition will help them act faster.

MCLR replaced the base rate system and so far the banks have been very quick to react to competitive forces in making marginal rate adjustments.

5. Federal Bank ties up with MMTC to offer Indian Gold Coin

Federal Bank today said it has tied up with MMTC for offering the Indian Gold Coin (IGC), the first such offering by the Government.

By: PTI

Federal Bank today said it has tied up with MMTC for offering the Indian Gold Coin (IGC), the first such offering by the Government.

"Through this tie-up with MMTC, the bank becomes the first among the private sector banks to offer this product to its customers.

Available presently in denominations of 5, 10 and 20 grams, the coins are distributed through select branches of the Bank across the country," said Jose K Mathew, Head – Retail Business.

The Indian Gold Coins are of 24 karat purity, 999 fineness and has the national emblem of Ashok Chakra engraved on one side and the face of Mahatma Gandhi as in currency notes on the other.

This is a government promoted coin and the only BIS hallmarked coin in India, the bank said.

The Indian Gold Coin carries advance counterfeit (security) features and tamper proof packaging.

The Bank's total business mix (deposits and advances) stood at Rs 1.37 lakh crore at March end.

6. Employers can pay PF dues through PayGov portal: EPFO

Retirement fund body EPFO today said the Employees Provident Fund Scheme has been amended to include PayGov for financial transactions, thus enabling PF dues to be collected through the portal.

By: PTI

Retirement fund body EPFO today said the Employees Provident Fund Scheme has been amended to include Pay Gov for financial transactions, thus enabling PF dues to be collected through the portal.

"The EPF Scheme has been amended to include Pay Gov platform for financial transaction. Pay Gov is a centralised platform for facilitating all government departments and services to collect online payments for government services," the Employees' Provident Fund Organisation (EPFO) said in a statement.

At present, State Bank of India (SBI) is the sole collector of PF remittances on behalf of the EPFO.

Elaborating about other major achievements, EPFO said it redressed more than 40,000 grievances in June-July. Out of the pending grievances, most were pending for disposal for less than 7 days.

Other developments in the period include giving an option to EPFO members to enhance their pensionary benefits.

The benefits are available to members who defer their pension upto 59 or 60 years of age with or without contribution after the age of 58 years.

The benefit is increase in original pension by 4 per cent in case of completion of one year and 8.16 per cent in case of completion of 2 years after 58 years.

In case a member defers the pension with contribution, the contributory service after 58 years of age will be included in calculation of pensionable service and pensionable salary, but will not be considered for determining eligibility.

For availing this benefit, a member must have completed atleast 10 years of service on attaining the age of 58 years.

It said that with the objective of giving special emphasis on securing compliance in respect of all eligible contractual workers, meetings were held with CPWD, DMRC, MCD, NBCC, Railways and National Highway Authority of India during the period.

A meeting of the Sub Committee of Central Board, EPF on Construction Workers was also held in which it was decided to explore whether cess collected on behalf of construction workers can be utilised to pay part of employees' share of EPF of such low paid workers.

The online filing through ECR (Electronic Challan cum Return) is going to be further simplified with the Version II of ECR. The return format has also been simplified, it added.

7. Rupee trapped in a narrow range

GURUMURTHY K

The rupee has been stuck in a narrow range of 66.65-67 since the beginning of this month. The currency has closed almost flat for the week at 66.76 on Tuesday.

The currency market was closed on Monday on account of a public holiday. In the absence of any fresh triggers on the global and domestic fronts, the rupee may continue to remain within this range for some more time.

The Reserve Bank of India last week left the rates unchanged. Higher inflation numbers that were released after the RBI meeting has reduced hopes of another rate cut by the RBI in its next meet.

Consumer Price Index-based inflation rose to 6.07 per cent in July from 5.77 per cent in June. On the other hand, the Wholesale Price Index-based inflation has almost doubled to 3.55 per cent in July from 1.62 per cent in the previous month.

Watch the dollar

Weak US dollar has aided in limiting the downside in the rupee and has prevented it from falling below 67 over the last few weeks.

But, at the same time, it has not helped in strengthening the domestic currency to a greater extent. This is worrisome as it leaves a strong likelihood of the rupee falling sharply in case the dollar turns stronger in the coming days.

So, the dollar index will need a close watch that may give a cue to the next move of the rupee. The dollar index (94.93) is trying to bounce from its low of 94.42 after falling about a per cent in the first two days of the week. On the charts, the index has a key trend line support near 94.3.

If this support holds and the index reverses higher sharply, the chances of it rising again to 96 or even 96.5 levels cannot be ruled out. In such a scenario, the rupee may come under pressure to break and fall below 67. On the other hand, if the dollar index declines below 94.3, it can fall to 94 initially. Further break below 94 can drag it to 93.5.

In the near-term, the rupee can continue to trade range-bound between 66.65 and 67. A breakout on either side of this range will decide the short-term trend.

If the rupee manages to break above 66.65, it can move up to 66.50 initially.

A further break above 66.50 can take the currency to 66.3 or even 66.15 thereafter in the short term.

On the other hand, if the rupee breaks below the current range, it can fall to 67.2 immediately. A further break below 67.2 can drag it to 67.5, which is an important short-term support for the currency.

Inability to break below 67.5 can trigger a corrective rise to 67.2 and 67. But a break and a decisive close below 67.5 can bring renewed pressure on the rupee. In such a scenario, the rupee will be in danger of falling to 68 and 68.5.

(This article was published on August 17, 2016)

8. Bank of India looks to raise Rs 500 cr more from asset sale this year

In June, it raised Rs 540 cr by selling 18% stake in life insurance joint venture with Dai-ichi and Union Bank of India to the Japanese firm

Press Trust of India

To increase capital base, state-run Bank of India has raised Rs 540 crore through monetisation of its non-core assets so far in 2016-17 and is planning to raise a similar amount in the rest of the year.

"We are looking at divestment of our investments in associates and monetisation of non-core assets. The total quantum targeted is Rs 1,000 crore, of which we have already monetised more than half of it so far this year," bank's managing director and chief executive Melwyn Rego told reporters on the sidelines of annual banking summit Fibac here today.

In June, the bank had raised Rs 540 crore by selling 18 per cent stake in life insurance joint venture with Dai-ichi and Union Bank of India to the Japanese firm.

He said the bank is looking at a variety of instruments to raise capital this year.

"We've already raised Rs 1,500 crore by way of additional tier 1 capital and a similar amount by way of tier II capital," he said, adding apart from the capital infusion by the government last month.

The government last month released Rs 22,915 crore of its budgeted Rs 25,000 crore of recapitalisation into 13 public sector banks. Of this, Bank of India got Rs 1,784 crore while the largest chunk was cornered by SBI at Rs 7,575 crore.

Talking about credit growth, Rego said the bank is targeting a credit growth of 6-8 per cent this year.

"Our focus has been very clear that it would be retail-led growth. This is both from the angle of reduction in risks and capital optimisation," he said.

He said the bank has shown considerable growth in retail side. In 2015-16, retail growth was 13 per cent and home loan and loan against property grew around 19 per cent.

Rego said BoI has a strategy called 'Star Mission 1', which includes NPA management, CASA augmentation and rebalancing of asset portfolio. The bank has shown a deceleration in growth of NPAs.

During June quarter, BoI reported Rs 741 crore net loss as against a net profit of Rs 130 crore a year ago, which is much lower than the net loss of Rs 3,587 crore reported in the fourth quarter of last fiscal.

Its gross NPAs rose to 13.38 per cent from 6.8 while net NPAs jumped to 7.78 per cent from 4.11 per cent. Total restructured standard assets stood at Rs 11,496 crore while total stressed assets rose to 16.35 per cent.

In the June quarter, Casa level stood at near 35 per cent from 29 per cent in March 2016.

"On rebalancing of the portfolio, 56 per cent of our portfolio was corporate loans in March 2015 and it has been reduced to 52 per cent in June 2016, and correspondingly the retail portfolio has increased from 44 per cent to 48 per cent," he added.

9. Rio Olympics: Spirited Sakshi Malik ends India's medal drought with a bronze in wrestling

The young wrestler overturned a 0-5 deficit in a hectic second round to script an 8-5 victory in the medal bout

IANAS

A diminutive 23-year-old girl from Mokhra village near Rohtak in Haryana, Sakshi Malik, touched glory at the Rio Olympics on Wednesday by reaching out and grabbing the only medal India has been able to win at the 31st Olympiad.

What's even more astonishing and historic is that she is the only Indian woman wrestler to have ever won a medal at the Olympic Games.

Sakshi brought an end to India's long medal wait, when every hopeful had failed one by one. She clinched the bronze in the Women's Freestyle 58kg category with a spirited comeback victory over Aisuluu Tynybekova of Kyrgyzstan.

The young wrestler overturned a 0-5 deficit in a hectic second round to script an 8-5 victory in the medal bout at the Carioca Arena 2 here.

"I have stood up to the hopes of the country for the first medal. I was confident that I can win in the end even being down. The last two hours were the most difficult for me thinking whether the medal will come or not," she said in her initial comments soon after winning.

"This is the first time that a medal has come for women. It's a success of my 12 years of dedication. My hard work has succeeded," Sakshi said.

It was a rousing display of fighting spirit and never-say-die attitude from the Indian.

Aisuluu was clearly the superior wrestler in the totally one-sided opening round, displaying impressive strength and technique to take five points and open up a formidable lead.

But Sakshi -- who has previously shown a knack of staging strong comebacks -- was a totally transformed grappler in the second round, taking eight consecutive points to send the substantial number of Indian fans in the stands into wild delirium.

Kaori Icho of Japan won the gold medal in the category while Russia's Valeria Koblova -- who had defeated Sakshi in the quarter-finals -- took the silver.

Eight-time African champion Marwa Amri of Tunisia took home the other bronze medal in the category.

Icho also created history by becoming the first-ever wrestler to win four Olympic titles. She is also the first female in any sport to win gold at four Olympics in an individual event.

Sakshi's medal capped another day of heartbreaks for India including an unfortunate injury to Vinesh in the women's 48kg Freestyle category that forced her out of the competition.

"To those who told me I am a girl and I could not wrestle, I want to say please show some trust in girls, they can do everything," she said.

Later, at an impromptu press conference, Sakshi was asked if she was still feeling the pain from the battering during the match. "After the medal all the pain has gone. If I had missed the medal, all the aches would have shown up," she said beaming.

"I was confident till the end that the medal was there and I told myself, you have to fight. That's why I attacked again and again succeeding after a lot of effort," she said, adding that the medal was dedicated to "every person who helped me along, my parents, my coaches and my training partners."

She said she was disturbed and her mind got diverted when Vinesh, her wrestling colleague, was injured in another bout and had to be carried away on a stretcher. "But then I thought I must redouble my efforts to get a medal which she would also have got."

She broke out in applause "yayyyyy," when someone told her that her name would now be taken in the same breath as Yogeshwar Dutt and Sushil Kumar, the earlier bronze medal winners.

"When I used to see them I was in awe how I would be able to even train with them. My idols have been men like Sushil Kumar who paved the way for our success," she said.

Right from the beginning, the Kyrgyz grappler displayed impressive strength and was more active in the opening stages which forced Sakshi to go on the defensive.

However, the referee invoked the passivity rule against Sakshi which handed the Kyrgyz the first point.

Aisuluu then made a successful takedown to bag another two points. Aisuluu continued to pile on the pressure and bagged another couple of points with another successful tackle to build up a healthy 5-0 lead at the break.

Sakshi made a superb comeback in the second round, turning a defensive position into an offensive one to bag two points before flipping the Kyrgyz over to bag another couple of points.

With the momentum firmly behind her, Sakshi continued to pile on the pressure before drawing level with another two-pointer.

With just seconds remaining in the bout, the Indian pulled off another takedown to take the lead and make sure of the win.

There was a visible sigh of relief among officials and coaches. Her coach of eight years, Kuldeep Singh said his heartbeat had increased after she was five points down, "as they were of all Indians."

He said he told her during the break that she should "untwine her fingers from the opponent and go for her legs. She did that and gained two points and then went on to win a match."

He said her strength lay in her ability to attack with both the legs. "I had a lot of hope before the match, and I kept on telling her the medal was hers to take."

The Indian chief coach by the same name, Kuldeep Singh, said that the bronze medal match was the best one because she showed her true value by coming back from a very low point.

"During the break we explained to her the mistakes she was making. The opponent was placing the weight of her body on Sakshi without moving her legs. So we advised that Sakshi should divert her weight and attack her," he said.

Earlier, Sakshi had crashed out of contention for the gold medal after a one-sided 2-9 loss to Valeria in the quarter-finals. Sakshi, who trailed 0-1 after the first period, made a comeback in the initial minutes of the second period to go 2-1 up.

She, however, failed to maintain the lead as the Russian overpowered her with some incredible moves to take an unassailable 9-2 lead in the dying minutes.

But with Valeria later making it to the final, Sakshi qualified for the repechage round for a shot at the bronze medal.

She started her bid for the bronze in superb fashion by defeating Orkhon Purevdorj of Mongolia 12-3 in the Repechage Round 2 to move within striking distance of a medal. The Haryana wrestler was too superior for the 22-year-old Mongolian and dominated right from the start.

Sakshi grabbed the early advantage and effected a takedown to take a 2-0 lead. But a loss of balance from Sakshi allowed the Mongolian to take two points and make a comeback. Sakhshi did catch Orkhon off-guard with an arm-lock towards the end of the first round, but could not capitalise on that.

Sakshi grabbed the initiative right at the start of the second round, bagging two points with double leg hold.

But Sakshi's efforts to preserve her lead by decreasing the pace cost her dearly as the referee invoked the passivity rule against her which allowed Orkhon to bag another point.

Orkhon then tried to go for a leg hold but Sakshi came up with an effective counter-attack to bring the Mongolian down before rolling her over to bolster her lead.

With a comfortable 10-3 lead behind her, Sakshi produced a strong finish by coming up with another take down in the closing seconds.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY