



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

---

<b>Com. P.B. Thomas</b> Chairman Thiruvananthapuram M: 09447177456	<b>Com. Nitin Desai</b> President Ahmedabad M: 097277 60641	<b>Com. S. Bagchi</b> Working President Kolkata M: 0983081586	<b>Com. N. Govindarajulu</b> General Secretary Chennai M: 09841089111
---	--	--	--

---

Dear Comrades,

29<sup>th</sup> September, 2016

News of Interest 29th Sep

**QUOTE OF THE DAY**

“THE PAST CANNOT BE CHANGED. THE FUTURE IS YET IN YOUR POWER. “

UNKNOWN

- 1. PSBS CAN'T BE RUN LIKE DRIVERLESS CARS: RBI**
- 2. RBI TO RELY MORE ON LIQUIDITY THAN RATES**
- 3. I-T DEPARTMENT COLLECTS RS 15,000 CR**
- 4. UNEMPLOYMENT RATE HIGHEST IN FIVE YEARS IN 2015-16: GOVERNMENT DATA**
- 5. NEED TO EXAMINE HIGH GROWTH IN FARM CREDIT, SAYS S S MUNDRA**
- 6. ING GROUP NV TO SELL STAKE IN KOTAK MAHINDRA BANK VIA BLOCK DEAL**
- 7. HERE'S HOW BANKS FIGHT OVER A LOAN DEFAULTER**
- 8. 'BANKS MAY HAVE TO INCREASE PROVISIONING FOR BAD LOANS'**
- 9. BANK OF INDIA CUTS BASE RATE TO 9.65%**

Business standard

**1. PSBs can't be run like driverless cars: RBI**

Government is yet to announce if SBI will get new Chairman or Arundhati Bhattacharya, will get an extension at end of this month

Abhijit Lele

Flagging severe talent crunch at the top in public sector banks (PSBs), Reserve Bank of India Deputy Governor S S Mundra on Wednesday pressed for the need to focus on human resource management. He said there cannot be a “leaderless bank” even if autonomous vehicles edge closer to reality.

This assumes significance in the light of an ailing Chennai-based Indian Overseas Bank functioning without a managing director (MD) and chief executive officer (CEO) for the past two months.

"We are able to talk about a driverless cars but, I think, we are far from having a leaderless bank," said Mundra, addressing the State Bank of India's (SBI) banking and economic conclave.

His comments come to the fore as SBI chairperson Arundhati Bhattacharya's three-year term ends on Saturday, but the government has not yet given her an extension or spoken about a successor so far.

He pointed out that many MDs, CEOs and even chairman-managing directors of PSBs are retiring over the next few years.

"Of the 20 CEOs or CMDs at state-run banks, there is one vacant position at each one of them. Eight of them are retiring in 2017, 10 in 2018 and there would be only one who would be retiring beyond the next two years," Mundra said.

On the second layer of leadership at banks, i.e., executive directors (EDs), Mundra said a stock of EDs is either already retired or retiring through the rest of this year.

"Five are retiring in 2016, seven in 2017, 10 in 2018, 12 in 2019 and the rest three will be retiring in 2020," the deputy governor said.

Nearly 73 per cent of the deputy general managers and general managers put together at PSBs are above the age of 55. And, another 23 per cent are in the age group of 50-55, he added.

"So, this is the whole profile of leadership. The succession line is missing and, as I said earlier, it cannot be a driverless car. This is an area that needs serious attention," Mundra added.

#### Weak link between credit and economic growth

Referring to the conventional link between economic growth and banks' credit expansion, Mundra said the correlation is weakening due to proliferation of other institutions, and lenders will have to make a slew of changes to regain their share.

The link has weakened over the years, as banks have started accommodating companies through other sources like commercial paper (CP) and bonds, he said.

The share of non-bank sources like finance companies, housing finance companies (HFCs) and CPs has increased to 38.6 per cent in March, from 35.2 per cent in March 2014. The total credit dispensed by non-bank entities has increased to 37.40 per cent in these two years, which is twice the pace of the 19.22 per cent growth reported by banks, he added.

He advised banks to have a close look at their rising exposure to non-banking financial companies and HFCs. If this was outsourcing of their core function (of lending), he asked, referring to inter-connectedness. Mundra also said there is a move to have some risk weights on exposures to sovereigns. The RBI is opposing it at international fora, but if a five per cent risk weight for state bond

holdings and two per cent for central government ones comes in, banks' provisions will go up by up to Rs 7,000 crore.

## **2. RBI to rely more on liquidity than rates**

Better monsoon rains after two back-to-back droughts and lingering weaknesses in manufacturing have again opened the case for aggressive rate cuts

Rupa Rege Nitsure

With Consumer Price Index (CPI)-based inflation dropping to 5.1 per cent in August, the clamour for policy rate cuts has again increased. Much better monsoon rains after two back-to-back droughts and lingering weaknesses in manufacturing have again opened the case for aggressive rate cuts.

But has the Reserve Bank of India (RBI) not been doing enough to promote growth with price stability?

After witnessing inadequate transmission through the banking sector, the RBI is relying more on liquidity management than rate cuts for its policy transmission. It has purchased government bonds worth Rs 1 lakh crore so far in 2016-17, through its open-market operations, affecting a sharp decline in rates on various financial instruments. On an average, the weighted average call money rate stayed 13 to 14 basis points below the repo rate during the first half of 2016-17. There has been a significant decline in commercial paper rates and corporate bond yields that encouraged companies to raise more funds from financial markets than the banking sector.

There is no doubt that growing asset quality stresses have made banks increasingly more risk-averse towards the manufacturing sector. While banks' incremental credit flows have remained positive for retail, agriculture and services sectors, they are still negative for manufacturing sector in the current financial year.

According to a Credit Suisse report, banks saw no respite in stress addition in the first quarter, and the bulk of their non-performing assets during this quarter originated not from known sources like restructured loans or leveraged groups but from small and medium-sized enterprises, and midsized companies. Their core profitability (especially for public sector banks) has come under severe pressure, with pre-provisioning profits declining by seven per cent in the first quarter. With growing constraints on profitability and capital, we cannot expect banks to lower lending rates aggressively, even if the RBI undertakes significant policy rate cuts.

Also, everything is not very rosy on the monsoon front. In terms of distribution, this year's rainfall still lags behind the normal monsoon years of 2011 and 2013. While major food bowl states like Punjab, Uttar Pradesh and Odisha have seen a decline in kharif sowing year-on-year, five states, including Gujarat, are suffering from a huge rainfall deficit. So, there is a possibility that inflation will come back to the target band slightly later than assessed earlier because of uncertainties over agriculture. Moreover, the RBI will remain vigilant about the impact on CPI, of Pay Commission's recommendations and elevated services inflation, if the goods and services tax gets implemented from April 1, 2017. Other events that will keep the RBI cautious are the volatility associated with the foreign currency non-resident (bank) redemption and forward guidance coming from global central banks.

The RBI certainly needs some policy space at this juncture and I expect it to stay on hold at least until December. However, as in the past, it would ensure liquidity conditions remain conducive to economic recovery.

### **3. I-T department collects Rs 15,000 cr**

Expects to net Rs 25,000-30,000 cr by Sept 30

Shrimi Choudhary

The government's Income Declaration Scheme (IDS) has seen a revenue of Rs 6,750 crore for the Income Tax department, as unaccounted money to the tune of Rs 15,000 crore has been disclosed as on September 28, said an official.

The government had opened a four-month window for declaring unaccounted money, which would attract 45 per cent tax, penalty and cess.

The tax department is expecting the number to touch between Rs 25,000 crore and Rs 30,000 crore in the next two days.

The four-month window for disclosing domestic black money deposits will close on September 30. The informal target for the scheme was a tax collection of Rs 40,000-50,000 crore on black money declaration of Rs 1 lakh crore.

On Wednesday, Mumbai topped the 18 income-tax circles in the country with disclosures in the range of Rs 6,000-7,000 crore. New Delhi and Gujarat circles followed at second and third positions, respectively, said the source.

A tax expert who did not want to be named said these figures were lower than expected, especially when the IDS is being compared with the earlier amnesty scheme (of 1997) where the government was able to attract black money disclosure of Rs 33,000 crore and collect about Rs 10,000 crore with 30 per cent tax and no penalty.

However, the department is believed to be working day and night to make the scheme successful. Sources in the tax department said they were attending to every query of taxpayers and were trying to encourage them to disclose their unaccounted money. "We are also conducting surveys on the basis of database from multiples sources," said the official.

The Income Tax Department is said to have identified about 100,000 individuals (including small traders, jewellers, retailers and vendors) as possible tax evaders and more than 1,000 such cases have been surveyed across the country.

"Confidentiality and high tax rate are the key reasons that deter individuals to come clean. However, we have assured them that their information will be kept confidential and that they would not face any prosecution under any other law. Meanwhile, through our multiple sets of frequently asked questions, we have tried to answer every concern raised by the declarants," said the official.

Officials pointed out that stringent action would be taken against those who fail to disclose their black money under the Income Declaration Scheme window and said they have a list of the big evaders who have not declared their hidden income. Soon after the schemes ends, the tax department will start its mega search operations on those who intentionally didn't disclose their black money.

Financial Express

### **4. Unemployment rate highest in five years in 2015-16: Government data**

The country's unemployment rate went up to its highest in five years to 5% in 2015-16, the labour ministry's annual employment-unemployment survey (EUS) for persons aged 15 years and above has revealed.

By: Surya Sarathi Ray

The country's unemployment rate went up to its highest in five years to 5% in 2015-16, the labour ministry's annual employment-unemployment survey (EUS) for persons aged 15 years and above has revealed.

The unemployment rate for 2013-14 was 4.9%, in 2012-13 it was 4.7% and in 2011-12, 3.8%.

The labour ministry has been conducting EUS since 2009-10 with the prime objective of providing data on employment and unemployment at regular annual intervals. EUS is a household survey.

The fifth annual survey (2015-16) has a sample of 1,56,563 households and covers all the states and districts of the country.

As per the report, the unemployment rate in rural areas for males has remained static at 4.2% in 2015-16 compared with 2013-14, but it has gone up for females at 7.8% from 6.4% in 2013-14. However, in urban areas, the rate for both males and females has come down to 3.3% and 12.1% in 2015-16 from 3.9% and 12.4%, respectively, in 2013-14.

The report also revealed that the unemployment rate for the male and female youth aged between 18 years and 29 years stood at 11.3% and 20%, respectively.

As per the fifth EUS, labour force participation rate (LFPR) is estimated to be 50.3% under the usual principal status (UPS) approach, which means a person was employed for at least 182 days in a year.

The report reveals that LFPR for males has gone up to 75% in 2015-16 compared to 74.4% in 2013-14, but female LFPR has gone down to 23.7% from 25.8% in 2013-14.

The LFPR for males was the highest at 77.4% in 2011-12, but for females, it was in the year 2013-14.

The labour ministry has also been conducting quarterly employment survey (QES) since 2009. Considering the importance of the survey, the labour ministry has decided to enhance the scope of the survey by enhancing the number of sectors and also the sample size.

Sources said as per the revised QES, the total estimated employment in eight selected sectors such as manufacturing and construction stood provisionally at 205.16 lakh, as on April 1, 2016.

The report of the first round of revised QES is expected to be released shortly.

## **5. Need to examine high growth in farm credit, says S S Mundra**

Questioning rising agri lending by banks despite cultivated land remaining unchanged, Reserve Bank Deputy Governor S S Mundra today called for a "critical examination" of the issue.

By: PTI

"If the land bank is the same, the area under irrigation has not changed significantly, if the fragmentation is continuously happening, then what accounts for the increase in lending?" he said at an event here.

"If the credit absorption capacity of the segment has not increased but credit is increasing, how can that be explained? This is something which needs a critical examination by the practitioners and economists," he added.

Agricultural land has been stagnant at 140 million hectares in the last 40 years. Also, there is hardly any allocation for agri investments, he said.

He said despite all these factors, banks have been repeatedly showing an increase in credit disbursements and last year crossed the government target of Rs 8 trillion.

Mundra also questioned how even the rate of inflation can justify this pace of credit growth.

Mundra said the distribution of agri loans is also skewed, saying 80 per cent of the farmers having over 10 acres of holding are covered under formal finance, while for the small and marginal ones with less than an acre's holding, the penetration is just 15 per cent.

The Deputy Governor said we should not rest on incremental reforms alone to revive the farm sector, saying there is a need to accelerate the pace of reforms. State-run banks need to revisit their agri practices and device localised strategies, he said.

Pointing to deficiencies in the practice of making it compulsory for state-run bank employees to undergo rural postings, Mundra said there is no connectivity with customers and continuity under the system.

Economic Times

## **6. ING Group NV to sell stake in Kotak Mahindra Bank via block deal**

By Joel Rebello,

Dutch lender ING Group NV is selling a part of its stake in private sector Kotak Mahindra Bank BSE 1.13 % to raise up to \$550 million (Rs 3,654 crore) close to two years after exiting the business in India as it seeks to repatriate capital to its home market.

A term sheet released on Wednesday said that the bank could sell up to 2.54% of shares out of the total 6.42% stake it holds in Kotak in a block trade which opened on Wednesday evening and will close early morning on Thursday.

The sale is part of the stake monetisation plan by the Dutch lender, the term sheet said. A Kotak spokesperson declined to comment.

## **7. Here's how banks fight over a loan defaulter**

By Saikat Das & Atmadip Ray

In what's fast turning out to be a bank vs bank battle, private sector IDFC Bank and state-run lenders led by State Bank of India and IDBI Bank BSE 0.34 % are bickering over how to recover loans given to defaulter Ruchi Soya BSE 0.00 % Industries Ltd, the country's largest soya oil producer.

While IDFC Bank has moved courts to recover its Rs 200 crore dues, the state-owned lenders are pitching for a loan restructuring formula for Ruchi Soya, two people with direct knowledge of the matter told ET.

The new generation private sector lender has filed for a winding-up petition against Ruchi Soya in the Bombay High Court, which will hear the case next week.

"What shall you get if you wind up the company? It is better to drive efforts to revive it," said an executive from a state-owned bank, preferring anonymity.

Emails sent to Ruchi Soya Industries, IDBI Bank and SBI did not elicit any response till press-time. IDFC Bank declined to comment.

Banks are staring at delayed payments from Ruchi Soya as the company incurred a net loss of Rs 889 crore in the March quarter and a measly Rs 1 crore profit in the following quarter amid a fall in commodity prices. The company has already defaulted on a short term loan to IDFC Bank even as it has about Rs 8,000 crore outstanding debt now, sources said.

However, IDBI Bank and SBI do not favour IDFC's winding-up proposal as they believe that the stressed company has the potential to bounce back. Both banks have exposure running into thousands of crores in the company.

Three months ago, the Securities & Exchange Board of India barred Ruchi Soya Industries from dealing in the securities market for indulging in manipulative and fraudulent activities in castor seed contracts.

Sebi said Ruchi Soya Industries and National Steel Agro Industries -- part of the Ruchi Group entities -- had taken huge long positions in castor seed contracts and have also violated the prescribed position limits.

"The group is often blamed for diverting bank loans to other purposes. Between the January and March quarter, it lost close to Rs 400 crore in castor trading," said another bank executive.

For the three months ended March quarter, Ruchi Soya Industries posted a net loss of Rs 889 crore against a Rs 190 crore net profit a year ago. During the April-June quarter, Ruchi Soya Industries reported Rs 1.03 crore net profit compared with Rs 88.60 crore (net profit) a year earlier, again a sharp plunge.

Business Line

## **8. 'Banks may have to increase provisioning for bad loans'**

OUR BUREAU

As bad loans age, banks will have to factor in additional provisioning requirements, which will have implications on their profitability and capital, said RBI Deputy Governor SS Mundra.

"I am aware that it would be quiet a hazard to guess as to what kind of provisioning requirement will be needed in the coming years because again it is a very dynamic situation," he said at the SBI Banking and Economics conclave.

Referring to the trend in recovery and upgradation vis-à-vis incremental slippages in the past few years, Mundra observed that it indicates that rather than release of provisions there may be requirement of some additional

provisions. "So, unless and until recovery and upgradation overtakes the additional accumulation of bad loans, the provisioning requirement would be enhanced," he said.

Of the total non-performing asset stock of the banking system as on 31 March 2016, around 36 per cent is in the sub-standard category, around 59 per cent in the doubtful category, and 5 per cent is categorised as loss.

"As the period progresses and there is a migration from sub-standard to doubtful to loss, it entails additional provisioning. So, this will be the additional provisioning requirement that we have to factor in," explained Mundra.

### **9. Bank of India cuts base rate to 9.65%**

State-owned Bank of India has cut the base or the minimum lending rate by 0.05 per cent to 9.65 per cent with effect from September 30.

"The Bank has revised its base rate from 9.70 per cent (existing) to 9.65 per cent, with effect from September 30, 2016," it said in a regulatory filing.

The base rate means all those elements of the lending rate that are common across all categories of borrowers.

And all categories of loans are required to be priced only with reference to the base rate.

As the base rate is the minimum rate for all loans, banks are not permitted to resort to any lending below the base rate.

Bank of India stock closed 3 per cent up at Rs. 120 per share on BSE.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**