



**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,

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

News of Interest 30th Aug

**QUOTE OF THE DAY**

“LIFE IS NOT A PROBLEM TO BE SOLVED, BUT A REALITY TO BE EXPERIENCED.”

SOREN KIERKEGAARD

- 1. RBI TO EXPLORE INTEREST-FREE BANKING**
- 2. RBI BALANCE SHEET UP 12.3% AT RS 32.43 LAKH CR IN 2015-16**
- 3. INFLATION LEAVES NO ROOM FOR RATE CUTS, SAYS RAJAN**
- 4. ‘BANKS SEE NPA-LIMITING SCHEMES AS METHODS OF POSTPONEMENT OF BAD LOAN FORMATION’**
- 5. I-T DEPT TO ‘NAME & SHAME’ CHRONIC CROREPATI DEFAULTERS**
- 6. TRADE UNION STRIKE ON SEPT 2: NARENDRA MODI GOVT FACES BIGGEST STRIKE SINCE COMING TO POWER**
- 7. RBI TO REGULATE P2P LENDING**
- 8. RBI TO RELAX REGULATIONS TO DEVELOP STARTUP ECOSYSTEM**

Business Standard

**1. RBI to explore interest-free banking**

To release draft guidelines on wholesale banks, differentiated banks in September

Nupur Anand

In order to improve financial inclusion in the country, the Reserve Bank of India (RBI) is now looking at exploring the possibility of introducing interest-free banking in the country.

“Some sections of the Indian society have remained financially excluded for religious reasons that preclude them from using banking products with an

element of interest. Towards mainstreaming these excluded sections, it is proposed to explore the modalities of introducing interest-free banking products in India in consultation with the government," said the central bank's annual report released on Monday.

In the interest-free banking regime, instead of extending cash loans, the lender buys and leases the product for which a loan is required and in turn earns rentals on it. Islamic banking is also based on the same principle and some foreign lenders such as the National Development Bank, among others, have been in dialogue with the regulator to allow them to introduce an Islamic Bank in the country.

These lenders believe that this form of banking can help in providing credit, especially to the sections that fall within the small and medium enterprise segment that banks may not be very comfortable in lending to due to either the credit risk involved, or the small quantum of loans.

Apart from this, the central bank is all set to issue draft guidelines for other niche banks such as custodian bank and wholesale banks by next month.

"The possibilities of licensing other differentiated banks such as custodian banks, and wholesale and long-term financing banks, will be explored in a paper to be released for comments by September 2016," said the report.

The introduction of these niche banks were recommended by Nachiket Mor, a member of the central board of RBI.

In his report, Mor had emphasised the need to move away from the universal banking model, in which a bank offers all financial products and services and has to meet all regulatory mandates and priority-sector obligations, to specialised banks in a differentiated licence framework. This comes almost a year after RBI issued in-principle approval to 10 small finance banks and 11 payments banks.

### **RBI-Irdai might bring insurance cos under CRILIC database**

In a bid to improve the reporting of bad loans across the financial system, RBI has initiated a dialogue with the Insurance Regulatory and Development Authority of India (Irdai) to ensure that even insurance companies report latest data on big borrowers, including defaults through the Central Repository of Information on Large Credits (CRILC).

CRILIC, which became functional in FY15, ascertains that banks and non-banking financial companies (NBFCs) need to furnish credit information on borrowers, who have an aggregate fund and non-fund based exposure of Rs 5 crore and above. This centralised database allows the banking regulator as well as the lender to have access to the bad loans of corporates in the system.

"During the year, there were discussions between the Reserve Bank and the Insurance Regulatory and Development Authority (IRDA) for bringing insurance companies into the ambit of the CRILC system. A training programme for five insurance companies was also conducted to familiarize them with the system," said the report.

This comes after Life Insurance Corporation of India (LIC), the country's largest insurance company, has been reporting a steady increase in bad loans. According to LIC's 2014-15 annual report, its gross non-performing assets — that stood at 3.3 per cent at the end of March 31, 2015 (Rs 12,230 crore) of its total debt — had risen to 4.23 per cent as of December 2015.

## **2. RBI balance sheet up 12.3% at Rs 32.43 lakh cr in 2015-16**

During the corresponding period ended the past year, its balance sheet was at Rs 28,89,152 cr

Press Trust of India

The Reserve Bank of India (RBI) on Tuesday said its balance sheet rose 12.3 per cent to Rs 32,43,011 crore for the year ended June 30.

During the corresponding period ended the past year, its balance sheet was at Rs 28, 89,152 crore.

"The increase on the asset side was due to an increase in foreign investments and domestic investments by 7.98 per cent and 35.64 per cent, respectively, and on the liability side due to increase in notes in circulation and other liabilities and provisions by 15.92 per cent and 14.77 per cent, respectively," RBI said in its annual report for 2015-16, released on Tuesday.

During the period, domestic assets constituted 24.59 per cent while the foreign currency assets and gold (including gold held in the country) constituted 75.41 per cent of total assets as against 21.86 per cent and 78.14 per cent, respectively, as on June 30.

It said, while income for the year 2015-16 increased marginally by 2.04 per cent, expenditure increased by 12.23 per cent primarily due to provision made for reimbursing service tax on agency commission paid to agency banks.

The bank transferred an overall surplus of Rs 65,876 crore during the year as against Rs 65,896 crore in 2014-15, representing a marginal decline of 0.03 per cent.

It did not transfer any amount to the Contingency Fund (CF).

A provision of Rs 1,000 crore was made for additional capital contribution in Bharatiya Reserve Bank Note Mudran and transferred to the Asset Development Fund.

## **3. Inflation leaves no room for rate cuts, says Rajan**

India's growth is below potential: Reserve Bank of India's annual report

Anup Roy

Despite a pickup in growth in the Indian economy, high inflation remains a concern, constraining the ability of the Reserve Bank of India (RBI) to cut rates, the central bank said in its annual report released on Monday.

However, economic growth is "still below levels that the country is capable of," Reserve Bank of India (RBI) Governor Raghuram Rajan said in the foreword of the report for the year under review July 2015 to June 2016. This will be the last annual report under Rajan as he demits office next week.

Consumption demand led by a good monsoon, government wage increases as a result of award of Seventh Pay Commission, and overall economic pickup should help the economy to register gross domestic product growth of 7.6 per cent in 2016-17, up from 7.2 per cent last year, the annual report said.

But, considerable slack and sluggishness in the industrial sector continues to

weigh upon the outlook. "The capex cycle remains weak and private investment activity is listless," RBI said.

Both the government and RBI have been trying in the past few years to restore macroeconomic stability, but some areas remain works in progress, according to RBI.

One reason for sub-par growth last year was weakness in investment as the private sector was still grappling with low capacity utilisation and public investment was slow in rolling out in some sectors.

Inflation, though, continues to remain a challenge as the projections are still at the upper limits of RBI's inflation objective of containing inflation at five per cent by March 2017. Inflation in July was 6 per cent.

"With the RBI needing to balance savers' desire for positive real interest rates with corporate investors' and retail borrowers' need for low nominal borrowing rates, the room to cut policy rates can emerge only if inflation is projected to fall further," Rajan said.

The annual report was sympathetic to banks' inability to cut rates at a time when weak corporate investment has reduced the volume of new profitable loans, while the stressed assets in the banks' books have tightened capital positions. This has prevented banks from lending freely.

But the RBI maintained its hard stance on banks not passing on rates, and instead, charging higher risk premia to new customers for garnering higher returns.

The RBI is exploring the possibility of introducing interest-free banking in the country, the report said. It will consult the government to work out the modalities.

Apart from this, the central bank is all set to issue draft guidelines for other niche banks such as custodian banks and wholesale banks by next month.

RBI said with the good monsoon and award of the Pay Commission, consumer demand should see a pickup, which should increase capacity utilisation, and, in turn, pull up investments. The Pay Commission award, which may add about 10 basis points to inflation by March 2017, will also create multiplier effects of government consumption expenditure, RBI said in its report.

"A virtuous cycle of growth is possible, reinforced by anticipation of the coming benefits from reforms like the recently passed goods and services tax legislation in Parliament," Rajan said in his foreword.

For now, the challenge before the RBI is to focus on bringing down inflation towards the government target of 4 per cent.

The central bank would keep an eye on the resolution of banks' stressed assets. The focus, after the asset quality review (AQR) of banks, "should move to improving the operational efficiency of stressed assets, and creating the right capital structure so that all stakeholders can benefit," Rajan said.

If need be, new management teams have to be introduced, sometimes as owners, and where not possible, as managers. It is equally important to ensure that the capital structure is tailored to what is reasonable, given the project's

situation.

"If the loan is already a non-performing asset (NPA), there is no limit to the kind of restructuring that is possible," Rajan said, adding, for a struggling project, RBI has offered a variety of schemes that can craft a sensible capital structure.

However, in all these, there should be a caveat: "Some of the current difficulties come from an unrealistic application by banks of a scheme so as to postpone recognition of a loan turning NPA rather than because of a carefully analysed move to effect management or capital structure change," the central bank governor said, warning, "RBI will continue monitoring to see that schemes are used as warranted."

Banks, notwithstanding the stress, should redouble their efforts to free up credit flows to productive sectors of the economy so that growth is supported, the report said. In fact, the stage is set for continued efforts to unclog the banking system and enable credit to flow to productive sectors, it said.

Sustained improvement in household savings since 2013-14 is a noteworthy development, while the disinflation is freeing up real incomes, and interest rates – especially on small savings – turned positive in real terms.

"The significant improvement in corporate profitability, essentially on account of savings on input costs and more recently on sales growth, is expected to boost corporate saving and translate into investment spending," RBI said.

While the impact of Brexit on India's economy was relatively muted, events are yet to unfold and spillovers through "trade, finance and expectations channels cannot be ruled out as events unfold." Minus these external shocks, the near-term domestic outlook appears "somewhat brighter than the outcome for 2015-16."

RBI will keep a close watch on the repayment of FCNR (B) bonds, even as the outlook for capital flows remained optimistic. "In this context, the level of reserves and covering through forward assets provide ample resources," RBI assured.

The RBI would soon review documentation requirements in the over-the-counter foreign exchange market as well as issue guidelines on commercial papers, credit default swaps and Separate Trading of Registered Interest and Principal of Securities (STRIPS). It is also readying guidelines on currency options, and final guidelines on introduction of interest rate options. Besides, in order to further develop the rupee futures market, money market futures will be introduced, RBI said.

In his forward, Rajan welcomed the constitution of the monetary policy committee as it would strengthen the "transparency, continuity, and independence of monetary policy."

RBI's balance sheet expanded 12.25 per cent to Rs 3,243 lakh crore for the year ended June 2016 (FY16) as against Rs 2,889 lakh crore the previous year. The growth was because of a rise in purchase of government bonds in open market operations and foreign currency assets (FCA).

#### **4. 'Banks see NPA-limiting schemes as methods of postponement of bad loan formation'**

Raghuram Rajan on Monday said some of the current difficulties in managing stressed assets despite schemes such as 5/25, SDR and S4A arise from lenders' attitude towards these schemes as just a method of postponement of bad loan formation.

By: FE Bureau

Raghuram Rajan on Monday said some of the current difficulties in managing stressed assets despite schemes such as 5/25, SDR and S4A arise from lenders' attitude towards these schemes as just a method of postponement of bad loan formation.

"Some of the current difficulties come from an unrealistic application by banks of a scheme so as to postpone recognition of a loan turning NPA rather than because of a carefully-analysed move to effect management or capital structure change," he said, adding that the RBI will continue monitoring to see that schemes are used as warranted.

The governor said there should be more focus to improve the operational efficiency of stressed assets and creating the right capital structure so that all stakeholders can benefit.

#### 5. I-T dept to 'name & shame' chronic crorepati defaulters

As part of its 'naming and shaming' policy to curb tax evasion, the Income Tax Department may soon go on to publish names of even those taxpayers who have a 'chronic' default of Rs one crore and above.

By: PTI

As part of its 'naming and shaming' policy to curb tax evasion, the Income Tax Department may soon go on to publish names of even those taxpayers who have a 'chronic' default of Rs one crore and above.

Officials said the policy framework for putting the names of such entities in public domain has been in the making for quite sometime and the proposal is now being vetted by the Central Board of Direct Taxes (CBDT).

An action plan in this regard was also discussed during the Tax Administrators conference held here a few months ago and once the CBDT approves the policy, the names would be published in leading dailies and could possibly also be displayed on the department's official web portal, they said.

"The subject will be discussed by the CBDT with senior I-T brass in the next few days after which a final decision will be made. The proposal is that cases of chronic default of over Rs one crore would also be publicly named, on the lines of a similar step taken against large tax defaulters beginning last year," a senior official said.

The I-T department had began publishing the names of tax defaulters in leading national dailies last year and has so far named 67 such big defaulters from across the country, with their vital details like addresses, contacts, PAN card number and shareholders in case of companies, being published.

While the earlier exercise was restricted to people with huge defaults to the tune of about Rs 10-20 crore, the new measure is aimed to target the category of taxpayers which has "chronically" defaulted a tax payment of Rs 1 crore or more.

"It has been decided to 'name and shame' all category of taxpayers, including personal and corporate taxpayers, who have a default of Rs 1 crore and above by March, 31 which is the end of 2016-17 financial year.

"The names will be published before July 31 next year," the CBDT had earlier said as part of a proposal in this regard.

The aim of the new exercise, the official said, is to inform the public at large about such tax evaders whom the taxman has not been able to lay their hands on despite using various investigative and enforcement tools.

The I-T Department has provided a list of 67 big tax defaulters on its official web portal.

## **6. Trade union strike on Sept 2: Narendra Modi govt faces biggest strike since coming to power**

The government's effort to dissuade 10 central trade unions (CTUs) from going ahead with the September 2 strike did not succeed on Monday as the minimum wage advisory board (MWAB) meeting remained inconclusive.

By: Surya Sarathi Ray

The government's effort to dissuade 10 central trade unions (CTUs) from going ahead with the September 2 strike did not succeed on Monday as the minimum wage advisory board (MWAB) meeting remained inconclusive.

A fixed minimum wage between Rs 15,000 and Rs 18,000 per month has been on top of the CTUs' 12-point charter of demands. A positive outcome of the MWAB meeting, which was preponed from the earlier scheduled on September 6, could have saved the government from the embarrassing labour stir.

With the meeting failing to reach a consensus, RSS-affiliated Bharatiya Mazdoor Sangh (BMS), which unlike 10 other CTUs is yet to give their strike call, may also join the stir. This would make it the biggest-ever labour strike since the new government under Narendra Modi assumed office in May, 2014.

Talking to FE earlier in the day, BMS general secretary Virjesh Upadhyay said the trade union would take part in the strike if the government gives orders and not just written assurances on majority of their 12-point charter of demands that includes a minimum wage of Rs 15,000 per month.

At its three-day Kendriya Karya Samiti (KKS) meeting in Bhopal earlier this month, BMS had resolved to declare the strike on September 2, but left the onus of taking the final call on its president B N Rai and Upadhyay.

Currently, minimum wage for an unskilled worker in the central sector is Rs 211 per day or Rs 5,486 a month.

FE had earlier reported that the government has proposed a steep 60-95% hike in the minimum wages for its contract/temporary workers in 45 scheduled employment categories, ranging from agriculture to construction and mining, to Rs 9,150 per month. The minimum wage in a state is fixed by the state only.

AITUC national secretary D L Sachdeva, who attended the MWAB meeting, said the unions demanded that there should be uniformity in the minimum wage across the country for all workers — be it domestic help or the industry worker,

and the amount should not be less than the monthly starting pay of Rs 18,000 for the central government staff as per the 7th Pay Commission.

"We have demanded that a national minimum wage should be fixed below which no state will fix the minimum wages. Developed states can fix higher wages than the national minimum wage. The strike call stands," he added.

Another official who was present during the meeting, said employers' representatives also agreed to the idea that the minimum wages should be hiked, but there was resistance from their side on making it as high as Rs 15,000 since that will cost them dearly.

A government official said on the condition of anonymity that the central government does not have the legislative power to fix the minimum wage for a state since labour is in the concurrent list. The proposed monthly minimum wage of Rs 9,150 for an unskilled farm worker in Class C areas (as against Rs 211 now) has been arrived at after taking into account his four-member family's energy need for 2,700 k cal a day as well as clothes, fuel, power, educational, medical and rental expenses, the official added.

Meanwhile, though CTUs ruled out postponing the strike, they were expecting some favourable outcome from the meeting between Prime Minister Narendra Modi and labour minister Bandaru Dattatreya late on Monday.

## **7. RBI to regulate P2P lending**

**RAGHAVENDRA RAO K**

The RBI has proposed that peer-to-peer lending platforms would be regulated as a separate category of NBFCs. The regulator said it was examining feedback received from various stakeholders to finalise the regulatory framework.

Peer-to-peer (P2P) lending is a form of crowd-funding with financial returns. Borrowers and lenders are brought together online with the help of the P2P lending platform, which is used to raise unsecured finance.

The platform conducts a preliminary assessment of a borrower's creditworthiness and collection of loan repayments and charges both borrowers and lenders a fee.

Interest rates range from a flat rate fixed by the platform to dynamic rates as agreed upon by the borrower and lenders using a cost-plus model (operational costs plus margin for the platform and returns for lenders).

One of the main advantages of P2P lending for borrowers is that the rates are lower than those offered by money lenders/unorganised sector, while the lenders benefit from higher returns compared to a savings account or any other investment.

In India, there are currently many online P2P lending platforms. The sector has been growing at a rapid pace, the RBI said.

The RBI released a consultation paper on P2P lending in April 2016 deliberating the merits and demerits of regulating P2P platforms and underscored the need to develop a balanced regulatory approach that would protect lenders and borrowers without curbing innovation.

## **8. RBI to relax regulations to develop startup ecosystem**

## OUR BUREAU

In a bid to make work environment more start-up friendly and ease regulations, the Reserve Bank of India has said that it will soon consult with the Centre and implement the recently announced proposals on start-ups.

This includes permitting start-ups to access rupee loans under the External Commercial Borrowings (ECB) framework with relaxations in respect of eligible lender, end-use and cost of borrowing, issuance of innovative FDI instruments (such as convertible notes by start-ups), streamlining of overseas investment operations for start-ups, and simplifying the process for dealing with delayed reporting of FDI-related transactions by building a penalty structure into the regulation itself.

Few other measures the RBI has been working on are also aimed at creating an enabling framework for receiving foreign venture capital, differing contractual structures embedded in investment instruments, deferring receipt of considerations for transfer of ownership, facilities for escrow arrangements and simplification of documentation and reporting procedures, easing cross-border transactions, enabling transfer of shares from foreign VCs.

### **Start-up mortality**

In tandem with the Centre's action plan to develop the start-up ecosystem, the RBI has highlighted the steps that should be taken to contribute to an ecosystem conducive for growth of entrepreneurship and bring down the start-up mortality in the country.

According to market research firm Xeler8 and a recent data from data analytics firm Tracxn, the start-up mortality rate is as high as 30 per cent and industry watchers feel that too much of regulation and inadequate rules for start-ups make it difficult for them to survive.

Xeler8 data says that 997 start-ups have shut shops since 2014. According to Tracxn, the number is 763 in just past 18 months.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**