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Dear Comrades,

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News of Interest 5th APR

MOTIVATIONAL QUOTES

**“IF YOUR ACTIONS INSPIRE OTHERS TO DREAM MORE, LEARN MORE, DO MORE AND
BECOME MORE, YOU ARE A LEADER”**

. JOHN QUINCY ADAMS

- 1. WE HAVE USED GANDHIGIRI TO SHAME DEFAULTERS: PNB'S USHA ANANTHASUBRAMANIAN**
- 2. WEEKEND, FY17 CLOSING HIT ATM CASH-FILLING OPERATIONS**
- 3. NEW INCOME TAX FORMS: WHAT INFORMATION IS BEING ASKED FOR? ALL YOU WANT TO KNOW ABOUT THE NEW RULES**
- 4. CASH IN SHORT SUPPLY, NOTE CRUNCH RETURNS**
- 5. WE MUST NOW DELIVER ON OUR PROMISES: SBI CHIEF**
- 6. BOOST TO MODI GOVERNMENT'S DIGITISATION DRIVE: DIGITAL PAYMENTS MADE THROUGH UPI SEE MASSIVE JUMP**
- 7. CAPITAL-RAISING A SUCCESS: SIB**

Business Standard

1. We have used Gandhigiri to shame defaulters: PNB's Usha Ananthasubramanian

Punjab National Bank (PNB) has made a name for itself in recovery of bad loan dues Dilasha Seth Indivja

Punjab National Bank (PNB) has made a name for itself in recovery of bad loan dues. Usha Ananthasubramanian, managing director and chief executive officer of the government-owned lender, talks to Dilasha Seth and Indivjal Dhasmana on the details, and allied matters. Edited excerpts:

How has PNB managed a good show on non-performing assets (NPAs), while other (public sector) banks are struggling?

There are large assets that are consortium-driven, while smaller assets are solely bank-driven. The major success behind robust recovery performance has come from our war room. It is a small set of six-seven people that monitor (NPA) accounts. They help branches and zones on how to crack an account and follow up. It is relentless. We also have a very strong group on WhatsApp for recoveries, in which circles and zones post by 9 pm every day about recovery.

Ideally, we are looking at a recovery of Rs 34 crore a day. We name and shame defaulters. Gandhigiri has also worked very well for us — our people go to the defaulter and shame him with rosebuds. The entire neighbourhood comes to know about them. The group has done excellent work.

We have also been looking at assets that can be put up for sale to asset reconstruction companies. Another approach is to put on sale a lot of properties (held as collateral).

The government is expected to shortly announce an NPA policy. Your broad expectation?

Today, the haircut (term for a writeoff by a bank on its loan) is an unknown animal. You can take 20, 30 or 40 per cent. There needs to be some clarity on this. Otherwise, the tools of the Reserve Bank (RBI) are available — SDR, S4A, others. Clarity should come on haircuts.

How much haircut do you take when it comes to recovering NPAs?

We do not go below the book dues on the day of NPA (declaration). We try to recover that. All are provided accounts; so, there is a write-back happening from the profits and the minimum is the book dues.

Is there progress on public sector units (PSUs) taking over the management of stressed assets in their respective sectors, with PSBs (government-owned banks) finding it tough to find promoters?

Nothing has happened yet. Each PSU has its own problem — SAIL for steel, NHPC for hydropower, Cochin Shipyard for ships, NTPC for power. They have their own manpower issues and other problems; nothing much has moved forward.

After taking on NPAs, how do you plan to increase credit?

The economy will take time to recover. We ought to see some good growth in credit. It means inching towards double-digit (growth), not more than that. There is a lot of MSME (micro, small and medium enterprises) activity, not in manufacturing but in services. PNB has a very strong agriculture background, with 16 per cent of our branches in rural and semi-rural areas. Today, agriculture is panning out very differently and that helps us. In addition, there is demand in retail (meaning individuals' accounts).

With banks flush on liquidity after demonetisation, what is the way to suck out the excess? Do you believe the RBI will announce a tool in this regard in its policy review?

Everyone is talking about the (proposed) standing deposit facility (SDF). It will become one more tool in the hands of the RBI. Whether it is going to unleash this or not might reflect in the policy. Earlier, this was managed but this is an opportunity to look at a new instrument.

What is your expectation from the review (this week) on policy rates?

It will most likely be a pause.

After consolidation in State Bank of India, do you see any more synergies for consolidation in the banking space? Where do you find your bank in this regard?

One part of consolidating is when your DNA is the same; it is easier to do. Consolidation with respect to a smaller bank merging with a larger one does not make much sense. Basically, the resultant entity should be large enough to give it a size.

What non-core assets might you offload?

We have very few non-core assets to offload. We stand invested in PNB Housing, for instance, a listed company. After the lock-in period that ends in November, it is one good asset we plan to sell. Then, there is UTI Mutual Fund, for which we have to decide the next step forward. We also have PNB Gilts, the only listed primary dealer in India. There is enough room to offload. In PNB Metlife, we are on a shareholders' agreement, so it does not work right away.

Will you sell a seven per cent stake in PNB Housing Finance?

We will only be able to take a call after November, looking at the valuation and requirement, on whether we need to sell five, seven or eight per cent.

With respect to UTI, are there plans to sell stake to SBI or a foreign partner?

All of us are equal shareholders. So, it will be a collective call of all stakeholders. We are not here to divest or give it to anyone. We will come to a common understanding and then take a call, on whether it will be an IPO (initial public offer of equity) or shedding a part of it.

2. Weekend, FY17 closing hit ATM cash-filling operations

SBI said the cash crunch problem was acute in Andhra Pradesh and Telangana

Priya Nair & Abhijit Lele

A large number of people complained of no cash at bank ATMs in the past few days, as the closing of the financial year, coupled with a weekend, hit the cash-filling operations in some parts.

However, with improvement in deployment of money by cash management firms, the situation would be back to normal soon, bankers said.

Rituraj Sinha, president of Cash Logistics Association of India, said ATMs had run dry in a few pockets at places like Mumbai owing to holiday (including weekend) and bank staff being occupied with financial year-end work.

Two senior public sector bank executives said cash-filling at ATMs was minimal over the weekend. Work on closing the books for financial year 2016-17 and the weekend affected the operations, they added.

The situation will be back to normal in a few days, a top State Bank of India (SBI) executive said.

Rajeev Anand, executive director, Axis Bank, said, "Typically, the first few days of April see higher than normal withdrawal of cash due to the (financial) year-end. Hence, outflows from ATMs are slightly higher in some centres. Customers are depositing cash in branches and the situation should normalise."

While higher withdrawal may be a regular feature at this time of the year, this year bank branches are not getting enough cash to replenish the ATMs, which is adding to the problem, said an official of another private bank.

Following the demonetisation move announced in November 2016, the Reserve Bank of India (RBI) had imposed a cap of Rs 24,000 per week on cash withdrawal at bank branches and a cap of Rs 4000 per day on ATM withdrawal. These caps were removed on March 13.

However, despite the removal, cash withdrawals seem on a decline, says a recent report by SBI. Weekly cash withdrawals totalled Rs 34,500 crore on March 17 and Rs 32,500 crore on March 24, the report said.

SBI said the cash crunch was acute in Andhra Pradesh and Telangana, as supply of currency from the RBI was much less than the usual demand. While the demand is about Rs 250 crore daily, supply has been about Rs 50 crore. Banks are constantly in touch with RBI for more.

As for other places in the country, it is a problem in a few pockets due to local distribution where ATM-filling is outsourced. It is not a problem of cash supply, the SBI executive said.

3. New Income Tax forms: What information is being asked for? All you want to know about the new rules

You have to quote Aadhaar number and disclose details of any cash deposits of ` 2 lakh or more during demonetisation window

By: Preeti Khurana

The announcement of new income tax return (ITR) forms usually marks the start of a new financial year. The finance minister has kept his Budget promise of simplifying these ITR forms. From announcing a new, compact and short ITR-1, the total number of forms has also been brought down to seven from nine earlier. Here are some key issues that an assessee must keep in mind while filing his returns for AY 2017-18.

Merging of forms

Old ITR-2, ITR-2A and ITR-3 have been merged into new ITR-2. ITR-2A was applicable for those who owned more than one house but did not have any capital

gains. ITR-2 was applicable for those who had capital gains. ITR-3 was applicable for partners in a partnership firm. These three forms have been merged into the new ITR-2. The old ITR-4 has been renamed ITR-3 and the old ITR-4S (Sugam) has been renamed ITR-4 (Sugam). Inclusion of Aadhaar One of the most notable changes has been the inclusion of Aadhaar number in ITR forms. By July 1, 2017, your PAN must be linked with Aadhaar, failing which PAN will be considered invalid.

Cash deposits

The other notable change has been inclusion of information seeking cash deposits made of `2 lakh or more, made during the 50-day demonetisation window (November 9 to December 30, 2016). This information has been asked for in all ITR forms including ITR-1. With this, the government has kept up the momentum on its efforts of demonetisation. It is likely the department will be verifying income offered to tax against cash deposits made.

Schedule AL

Schedule AL or assets and liabilities was added in tax return forms last year. Those who earn more than `50 lakh in total income a year have to mandatorily provide details of their assets and corresponding liabilities. Non-residents and resident but not ordinarily residents, have to provide details of assets located in India.

Schedule AL is now much more detailed. Description (i.e., land, flat, house) and address must be provided for all immovable properties. Besides amounts held in bank deposits, shares and securities, insurance policies, loans and advances given and cash in hand must also be reported. Those who are members of a partnership firm or AOP have to report name of the firm, its PAN and their investment in the firm on cost basis.

The department has also provided detailed instructions on the value to be reported. Movable and immovable properties have to be reported at cost price. Where wealth-tax return was filed, and the asset was included in old wealth-tax return, its value should be reported as per last wealth-tax return. Where any improvements have been made, its cost may be increased appropriately. (The last year for filing wealth tax returns was March 31, 2015 and it was abolished after this date).

In case the asset was gifted or received as part of a will or inheritance, the cost of such asset will be the cost of the previous owner. This cost can be increased by the cost of any improvements made. Where the previous cost is not ascertainable and no wealth-tax return was filed, its value can be taken at the circle rate or bullion rate, on the date of acquisition by the taxpayer or value on March 31, 2017.

Economic Times

4. Cash in short supply, note crunch returns

By Pratik Bhakta, ET Bureau

If you were greeted by empty automatic teller machines (ATMs) over the past few days, it is not because there is cash shortage only in your locality: the whole country is facing cash crunch once again, reminding people of the post-demonetisation days.

About 60% of the ATM machines are working, but most of them are running out of

cash very fast as they are not being loaded to their full capacity, sources said, adding that though cash supply had improved at the turn of the new year, it had not gone up significantly.

According to industry insiders, ATMs are not being filled to the maximum capacity of around Rs 30 lakh because of insufficient cash supply. In fact, only Rs 10 lakh is being loaded in each machine.

"We are still loading less than 70% of the full capacity of ATMs and there are concerns around the (inadequate) supply of Rs 100 denomination notes," said the chief executive of one of India's biggest ATM manufacturing companies, which also manages ATMs.

According to experts, cash withdrawals are usually very high towards the end of a financial year, which might have added to the scarcity.

"Every year we usually see a spike in supply of currency notes to meet this higher demand. The demand this year has been high as usual, but there was no increase in supply, causing a serious cash shortfall across the country," said another top executive with a cash logistics company responsible for transporting cash and managing ATMs. "Usually we see about 35% of the entire cash supply for the month of March happening in the fourth week. But that much cash was not supplied this year," he said.

5. We must now deliver on our promises: SBI chief

K RAM KUMAR/NS VAGEESH

A transition management office and 64 dry runs in IT helped State Bank of India (SBI) to seamlessly acquire its five associate banks and the Bharatiya Mahila Bank. The merger, effective from April 1, catapulted SBI into the league of top 50 global banks. In an interview to *BusinessLine*, Chairman Arundhati Bhattacharya, who wants her bank to break into the league of top 30 global banks in the next few years, gave a lowdown on the preparations in the run-up to the merger. Excerpts:

In cricket parlance, your bank earlier used to hit singles (acquiring one associate bank at a time). What prompted you to go for the big hit, acquiring six banks in one fell swoop?

I prefer it this way rather than the way it was earlier (the five associate banks operating alongside the parent bank, SBI). Earlier, there was very little control and yet we had full responsibility as we used to own them. As majority ownership (of the associate banks) was with us, for requirement for capital and other things they would always come back to us. And the frantic pace of change in the banking industry was a little worrying. It is very difficult to keep everybody up to speed. And therefore, this is a better way of doing things. Now I will have only one roll-out (of products and services) and everybody gets on-board. I don't have to have six roll-outs. So, I think, this is a far more efficient way of doing things.

Were you confident that the merger could be pulled off without a hitch?

We do things only if we are very confident that we can pull it off. We had done 64 dry runs in IT trying to set right whatever was going wrong. So, that is why they (stakeholders, including IT partners, involved in the merger exercise) could deliver it

in 48 hours. It has been done with a lot of deliberation, lot of thought, and a lot of hard work.

When did you start work on the merger?

We started working on it some time in April last year.

What was the role of the Transition Management Office (TMO) in the merger?

The mandate of that office was basically to look at the various pieces that would be required for the merger. It looked at the accounting policies, credit policies, HR, branch structure, compliance & risk, and IT. It did gap analysis (comparison of actual performance with desired performance). In respect of IT, we needed to know where they (merging banks) were and where we were. Even though the platform is the same, the version may not have been the same. Plus, they have a lot of peripheral applications and IT processes, which needed to be mapped and then we had to understand how it had to be brought in.

The transition team has a huge amount of work to be done. For instance, all of these banks have ongoing court cases. So, we have to ensure that there is a seamless takeover of those court cases by us. Further, we have to ensure that the files are created, the pages are numbered, they are handed over to our legal department — who is handing over, who is taking over, and ensuring that they don't miss a court date. So, there are a lot of nitty-gritty.

The transition team worked in the headquarters, plus there were teams at the merging entities also. The transition teams at the associate banks were the ones providing the material and things which the team at the headquarters wanted. And that is how things went about so smoothly. There was a lot of initial work and planning done to ensure that everything happened in lockstep.

How long will the TMO be in place?

The TMO will be in place for another six months. There is a lot of work still to be done, especially the handing over, taking over of documents, records and files. There is still the fitment of the people (the staff) to be done.

Will the tenure of the TMO be extended to consider other acquisitions?

At this point in time, I think, we should first consolidate — see that the gains that we have promised people, happen. I have promised everybody that this will be a successful merger. We must deliver on our promises before we start making new ones.

What gains will accrue to SBI if it breaks into the league of top 30 global banks?

Breaking into the league of top 30 global banks brings more credibility. It also brings more responsibility. So, if I am going to be over there, I will have to ensure that my risk management is really good, that my capitalisation is really good. So, it brings heft, but it also brings a lot of responsibility. And that is good for us because as India grows, as projects become bigger, we will need that heft (to fund projects).

6. Boost to Modi government's digitisation drive: Digital payments made through UPI see massive jump

By Pratik Bhakta, ET Bureau

Digital payments through the Unified Payments Interface (UPI), the mobile-based national payment system, continue to surge even after the end of demonetisation-induced cash shortage, latest data from Reserve Bank of India shows.

UPI-based transactions jumped almost 20% to Rs 2,000 crore in March, up from Rs 1,660 crore in January. The figures boost Prime Minister Narendra Modi's agenda of ending black money through digital payments and the penetration of formal finance in the hinterland of the country.

"We already have 44 banks on UPI, of which 35 have their own applications available on the (Google) Play Store; BHIM is seeing around 80,000 transactions per day; and we are registering almost 2 lakh transactions on the entire UPI railroad," said AP Hota, managing director at National Payments Corporation of India, the body that runs the UPI platform and BHIM app.

The growth in UPI-based transactions is driven majorly by the government-promoted BHIM (Bharat Interface for Money) and non-bank payment apps such as PhonePe and Trupay, industry experts say.

Backers of digital payments believe that it may be just the beginning as the government appears determined to push digital transactions.

While 90% of transactions on UPI are coming from peer to peer modes of payments and remittances, the share of merchant transactions is expected to go up sharply after the full scale rollout of BharatQR — a common QR code developed by all major card payment companies to enable digital payments without card swiping machines — and UPI@PoS — or, point-of-sale machines configured to enable payment through UPI interface without swiping cards.

"We have already tied up with Reliance Retail for UPI transactions on point of sales terminals and are planning to get more merchants on board to start accepting UPI-based payments," Hota said.

While banks have launched their own UPI apps, industry observers said a major chunk of transactions are coming from non-bank apps such as Trupay and PhonePe that have gone live on UPI through a sponsor bank.

Sameer Nigam, CEO at Flipkart's payment app PhonePe, said the app accounts for almost half the number of all UPI transactions and 22-25% of total value of such transactions.

"For us because of the Flipkart partnership we are observing a significant chunk of this payment for merchant transactions as well besides only peer to peer payments," he said.

"Together with UPI and our wallet-based payments we will reach around \$1.3 billion worth of payments in an annualised manner," he said.

Rahul Gochhwal, cofounder of Trupay, said the UPI-based payment app saw around `500 crore worth of transactions in March, up from less than `1crore in September. "90% of these transactions are in the remittance space," he said. Trupay is in the business of UPI-based payments in partnership with YES Bank.

MOBILE WALLETS LOSING GROUND

The digital payment surge since demonetisation is, however, not helping mobile wallets or prepaid instruments. RBI data shows that mobile wallets have not been able to pick up in the merchant payment space, with less than Rs 1,800 crore worth of transactions reported in March, down from Rs 2,100 crore in January.

"As per our industry numbers, domestic remittance through wallets has reached almost Rs 4,000 crore per month, but UPI in such a short period of time having reached Rs 2,000 crore shows phenomenal growth," said a top executive with a digital payments firm.

Major growth is being seen on wallets in the domestic remittance space supported by companies like ItzCash, Oxigen and others.

Experts said that mobile wallets are still being used predominantly for small ticket online recharges and bill payments as PoS terminals deployed at retail merchant locations increase and cash comes back into the system.

According to RBI data, the average wallet transaction is worth less than `250 while average UPI transaction amount is around Rs 4,000.

7. Capital-raising a success: SIB

OUR BUREAU

The recent capital-raising initiative by South Indian Bank to support business growth has received an overwhelming response from customers. The rights issue of shares for a total amount of ₹630.99 crore was subscribed 1.84 times. VG Mathew, MD & CEO, said the capital-raising, together with expected retention of internal capital generation, can support targeted business growth of 20 per cent per annum with a comfortable CRAR position for two years. The bank had a CRAR of 11.05 per cent at the end of Q3 and the fresh capital raised will raise CRAR by 160 bps.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY