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Dear Comrades,

17th April , 2017

NEWS OF INTEREST 17TH APR

MOTIVATIONAL QUOTES

**“BE MORE DEDICATED TO MAKING SOLID ACHIEVEMENTS THAN IN RUNNING AFTER SWIFT
BUT SYNTHETIC HAPPINESS.”**

A. P. J. ABDUL KALAM

HIGHLIGHTS

- 1. GOVT WILL NUDGE 6 PSBS TO RAISE FUNDS IN LINE WITH INDRADHANUSH PLAN**
- 2. AXIS BANK LOGS 1 MILLION MICRO-BORROWERS**
- 3. SBI SLIPS ON TRACTOR LOAN SETTLEMENT PLAN**
- 4. PROPOSED RBI NORMS WORRY MOBILE WALLETS**

Business Standard

1. Govt will nudge 6 PSBs to raise funds in line with Indradhanush plan

This will ease the pressure on the exchequer of pumping in capital

Press Trust of India

Stock prices on the mend, the Finance Ministry will nudge at least six public sector banks to hit markets to raise funds and ease the pressure on the exchequer of pumping in capital as per the Indradhanush plan.

"Time has come for banks to tap capital market and we think that at least half a dozen banks would take advantage of the opportunity and raise capital from the market during the current fiscal," a senior finance ministry official told PTI.

"It is up to individual banks to decide when they want to raise capital and how much, but in our assessment, there are a few fit candidates for this, including State Bank of India, Bank of Baroda and Punjab National Bank," the official said.

As per the scheme, public sector banks need to raise Rs 1.10 lakh crore from markets, including follow-on public offer, to meet Basel III requirements, which kick in from March 2019.

This will be over and above Rs 70,000 crore banks will get as capital support from the government. Of this, the government has already infused Rs 50,000 crore in the past two fiscals and the remaining will be pumped in by the end of 2018-19.

SBI has already taken board approval for raising up to Rs 15,000 crore through various means, including public offer and overseas issuance of shares, during the current fiscal.

The funds will be raised either through follow-on public issue, qualified institutional placement, rights issue, private placement, Global Depository Receipt, American Depository Receipt or a combination of these, SBI had said last month.

The fund-raising will be done at an opportune time or as may be approved by the government and the RBI, it added.

The BSE banking index has jumped to 24,700 from 21,600 in the past three months.

Meanwhile, the government will continue to support public lenders based on requirements as was announced by the finance minister in his Budget speech, the official said.

In the Budget 2017-18 speech on February 1, Finance Minister Arun Jaitley announced capital infusion of Rs 10,000 crore for the current fiscal.

"In line with the Indradhanush road map, I have provided Rs 10,000 crore for recapitalisation of banks in 2017-18. Additional allocation will be provided, as may be required," Jaitley had said.

2. Axis Bank logs 1 million micro-borrowers

The bank has ruled out any buyout

Press Trust of India

Private lender Axis Bank has touched 1 million micro-borrowers mark and is not keen on acquiring stake in any micro lender, a senior official has said.

Three years after getting into the segment, the bank touched 1 million borrowers mark recently and all of them are women who have availed of credit through the joint lending group model, Axis Bank's retail banking head Rajiv Anand said.

Stating that the book stands at Rs 1,100 crore now, he hinted that the bank would focus on expanding the business organically rather than buying into a microfinance company.

"As of now, we don't believe there is any need for us to take on any equity stake in an MFI," Anand said.

It can be noted that other lenders like Kotak Mahindra Bank and IDFC Bank, and others have acquired stakes in MFIs, while IndusInd Bank is in talks with Bharat Financial (formerly SKS) for what can be one of the biggest acquisitions in the space.

As many as 90 per cent of Axis Bank's borrowers have been tapped by the bank's dedicated team of 1,600 people while the rest have come from intermediaries, Anand said.

The average ticket size of its micro loans is Rs 18,000 and there is a three-tier rate structure with interest ranging from 12 to 22 per cent, he said, asserting that this is a "profitable" business for the bank.

Axis Bank is present in 18 states with its micro lending offerings and is targeting to take it to 22 states by 2020, he added.

Even as the bank faces regulatory action for alleged irregularities during the note-ban period, Anand said he was "proud" of the work done by his retail banking staff.

Anand said the average transactions jumped four times of the usual during the period, and the bank also had to work with the rules getting changed every day almost.

Asserting that Axis Bank is not the only one to have been found of indulging in irregularities, Anand admitted that "there have been a few stray incidents and we have a zero tolerance on such issues. Strictest action has been taken against all those indulged in irregularities." He also said, speculation of the bank merging with another one does not have any bearing on its expansion strategies, underlining that such talk has been denied.

Even as the advent of digital banking raises concerns on the relevance of the network-led model, Anand said 90 per cent of customers for the banking system do not use digital alternatives.

He said physical networks are important from a brand trust perspective and that the nature of the work undertaken at the branches can undergo a change eventually.

3. SBI slips on tractor loan settlement plan

Crop failure and inability to deploy tractors were some of the reasons for the loans turning bad

Abhijit Lele

State Bank of India's one-time settlement (OTS) scheme for tractor loans has failed to get adequate response.

Only Rs 24 crore worth cases have come under it. In a portfolio of around Rs 4,000 crore of tractor loans, about Rs 800 crore worth loans were eligible for the scheme. The bank is assessing reasons for the lukewarm response, and might look at extending the March 31 deadline.

Crop failure and inability to deploy tractors were some of the reasons for the loans turning bad, SBI executives said.

The lender saw better traction with its OTS scheme for small and medium enterprises (SMEs). The scheme received 2,772 applications (Rs 671 crore), out of which 2,703 applications (Rs 647 crore) were approved.

The schemes were floated as a part of a process to clean up the books, after making prudential provisions for non-performing loans. The tractor loan book was part of the bank's farm loan portfolio and the lender announced a settlement scheme to shed debts with prospects of low recovery, after adequate provisioning. SBI was to take a haircut of 40% on these loans.

Many SMEs have been hit as customers payments dipped. Their incremental capacity to service loans was under severe pressure.

Economic Times

4. Proposed RBI norms worry mobile wallets

MUGDHA VARIYAR

Mobile wallet company executives last week expressed their concerns to Reserve Bank of India officials over the proposed guidelines for the sector, in their formal feedback to the regulator on them. RBI had issued draft guidelines for prepaid payment instrument (PPI) licence holders in March and several had flagged issues such as know your customer (KYC) norms.

"Some clarifications were sought on certain clauses, while PPIs discussed issues around KYC, especially since it could be an overkill for small transactions," said one of those at the meeting.

The central bank stayed firm on the matter, said people with knowledge of the matter.

There was no response to email sent to RBI, while spokespersons for the Payment Council of India and the Internet and Mobile Association of India (IAMAI), which organised the meeting, did not wish to comment.

Currently, e-wallets and other such prepaid payment instruments can only hold up to Rs 20,000 per user with minimum KYC. As per the draft guidelines, these PPIs will have to move to full KYC details within 60 days of the PPI licence being issued.

Existing semi-closed PPIs that currently require minimum details from customers have to convert into full-KYC PPIs by June 30, failing which the RBI warned that no further credit will be allowed in such PPIs.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

