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Dear Comrades,

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News of Interest 2nd AUG

MOTIVATIONAL QUOTES

“STAY POSITIVE AND HAPPY. WORK HARD AND DON'T GIVE UP HOPE. BE OPEN TO CRITICISM AND KEEP LEARNING. SURROUND YOURSELF WITH HAPPY, WARM AND GENUINE PEOPLE.” TENA DESAE

HIGHLIGHTS

- 1. SAVINGS RATE CUT: DECLINE IN GOVT BANKS' DEPOSIT SHARE MAY ACCELERATE**
- 2. BANKS RESTRUCTURED CORPORATE LOANS WORTH RS 2,04,000 CR IN FY17: JAITLEY**
- 3. BANK OF ENGLAND STAFF BEGIN FIRST STRIKE IN 50 YEARS**
- 4. THE NEW ₹50 NOTE HAS GOT THE BLUES**
- 5. SBI LIFE ROLLS OUT CANCER POLICY**

Business Standard

1. Savings rate cut: Decline in govt banks' deposit share may accelerate

High share of PSBs in deposits has weighed on their cost structure, which the rate cut will correct

Krishna Kant

The interest rate cut on savings deposits by the country's largest bank, State Bank of India (SBI), would have a positive implication on its margins in the short-term.

Public sector banks' (PSBs') liability franchise, which has proved to be more resilient over the years than their lending business, is likely to see a decline, as depositors move their savings to banks and instruments offering higher interest rates.

Other PSBs are also likely to cut rates on savings accounts, which, analysts say, will not be a bad thing for them. "SBI may lose some of the current and savings deposits to its competitors in due course, but this is exactly what the bank wants to achieve, given the poor loan growth

in the last few years. A steady rise in deposits — in the absence of loan growth — was eating into the bank's interest margins, and a rate cut on savings deposits may help cushion that blow in the short-run," says Dhananjay Sinha, head-institutional research and economist, Emkay Global Financial Services. However, he doesn't rule out the possibility of a hike in interest rates once the credit demand picks up.

In the last three years, PSBs' share of bank deposits is down only 240 basis points (bps), after holding steady for eight years. Private sector banks have taken away some of the PSBs' share of bank deposits by offering higher interest rates. In comparison, PSBs' share in advances declined by 480 bps in the last three years.

One basis point is one-hundredth of a per cent. The government-owned banks' share of incremental bank deposits declined to an all-time low of 32.4 per cent in FY16 and recovered to 45.4 per cent last fiscal year in the wake of demonetisation. The decline was led by savings account deposits, where PSBs' share declined by 320 bps in the last three years to an all-time low of 78.7 per cent at the end of FY17.

Together, PSBs were sitting on total deposits, including savings and term deposits, worth around Rs 74 lakh crore at the end of March this year, up 4.2 per cent over the last fiscal year. Nearly two-thirds of these deposits are savings and current account deposits.

In all, deposits accounted for 82.5 per cent of all liabilities or source of funds for government-owned banks last fiscal year, up from 81.6 per cent in FY16, but down from a decade high of 85.1 per cent at the end of March 2012. In comparison, deposits accounted for 72.2 per cent of the private sector banks' liabilities last fiscal year, up from 69.6 per cent in FY16, but down from high of 75.3 per cent at the end of FY11.

Credit rating agencies say the move by the country's largest lender is a corollary of monetary developments after demonetisation. "Note ban swelled bank coffers with low-cost current and savings deposits pushing down their lending rates. These deposits are now being withdrawn, putting upward pressure on the banks' marginal cost of funds-based lending rate," says Karthik Srinivasan, senior vice-president at rating agency Icria.

According to him, the 50-bp interest rate cut in savings deposits may help SBI maintain its status as the most competitive lender in the market.

SBI reported a decline in advances last fiscal year at the group level for the first time in many years. Advances were down 5.1 per cent on a year-on-year (YoY) basis last fiscal year, as many of its erstwhile associates (since now merged with the parent) shrunk their loan book.

This was in line with the trend visible in other PSBs, which together reported a decline in fresh advances for the first time in at least 20 years last fiscal year. The combined advances by the 21 listed PSBs was down 2.5 per cent last fiscal year, as a majority of the banks shrunk their loan book over fears of bad loans and dearth of capital.

In comparison, private sector banks continued to grow their loan book albeit at a slower pace. Their combined advances were up 14.9 per cent in FY17, down from 22.5 per cent YoY growth in FY16. In a way they are filling the space that PSBs vacated. Analysts say a combination of lower accretion of low-cost deposits and inadequate capital infusion by the government will hamper their ability to grow the loan book.

2. Banks restructured corporate loans worth Rs 2,04,000 cr in FY17: Jaitley

FM Arun Jaitley tabled data in Parliament

[Press Trust of India](#)

The amount of corporate loans restructured by lenders has seen a decline in the last three financial years, according to the data tabled by Finance Minister Arun Jaitley in the Rajya Sabha on Tuesday.

Banks restructured loans, that were sanctioned to companies, of worth Rs 3,70,279 crore in FY2014-15 and Rs 2,99,111 crore in 2015-16.

The amount of restructured corporate loans came down to Rs 2,04,884 crore in the last financial year, as per the data.

The finance minister was responding to a question seeking names of companies whose loans have been restructured and at what terms.

"Any restructuring is to be carried out in accordance with detailed guidelines issued by RBI on restructuring like Joint Lenders' Forum (JLF), Strategic Debt Restructuring (SDR) and Scheme for Sustainable Structuring of Stressed Assets (S4A)," Jaitley said.

The finance minister further said that "the names and details of borrowers are covered under section 45E of RBI Act, 1934 and banking laws.

"... Which (the Act and banking laws) oblige financial institutions to maintain secrecy about the affairs of their constituents."

On provision for restructuring of farm loans in case of natural calamities, he said banks can facilitate restructuring, including conversion of short-term debt to term loan or re-schedulement or repayment time-frame to such borrowers with benefit of retention of asset classification.

"For agricultural accounts that became impaired on account of reasons other than natural calamities, restructuring is allowed in terms of RBI guidelines on Income Recognition and Asset Classification (IRAC)," Jaitley said.

Financial Express

3. Bank of England staff begin first strike in 50 years

Staff at the Bank of England began their first strike in more than 50 years on Tuesday in a push for higher pay, highlighting growing pressure to end tight controls on public-sector wages in Britain.

By: Reuters

Staff at the Bank of England began their first strike in more than 50 years on Tuesday in a push for higher pay, highlighting growing pressure to end tight controls on public-sector wages in Britain. The three-day strike will overlap with an interest rate decision on Thursday and involves maintenance and security staff at the 323-year-old Bank. About 15 staff members, some wearing face masks of Governor Mark Carney, staged a picket outside the BoE's central London headquarters on Tuesday. About 150 people work in the departments affected by the stoppage. The employees, who are part of the Unite trade union, said they were protesting the "derisory" pay settlement that the bank had imposed on staff without the union's agreement. John McDonnell, the main opposition Labour Party's top economic official, attended the protest and called for the BoE to set an example to employers by raising their wages. Unite said that many of those who were balloted about the strike action earned less than 20,000 pounds (\$26,400) a year. Prime Minister Theresa May has come under increasing pressure from lawmakers to end a below-inflation 1 percent cap on public sector pay rises that has been in place since 2013 as part of efforts to cut government spending.

Although it is operationally independent of the government, the BoE has also limited pay rises to 1 percent for most staff, in line with other public bodies. The BoE said Unite had balloted around 2 percent of the BoE's 3,600-strong workforce and that it had plans in place to operate effectively. "The Bank has been in talks with Unite up to and including today and remains ready to continue those talks at any time," a Bank spokesperson said in a statement.

Unite said if the BoE fails to resolve the pay dispute, it would consult its members at the Bank in departments other than just maintenance and security on further action.

Business Line

4. The new ₹50 note has got the blues

MAMUNI DAS

India is set to get its first blue-coloured ₹50 notes, after its first pink ₹2,000 notes last year, and the stone-grey ₹500 currency notes introduced in 2016.

The freshly designed ₹50 notes will bear a sketch of Mahatma Gandhi in blackish grey colour tone.

Also, the new ₹50 note will sport the motif of a South Indian temple on the reverse, said a government official privy to the information.

In December 2016, the RBI had stated that it would shortly issue new ₹20 and ₹50 bank notes; the existing ₹50 and ₹20 notes will continue to be legal tenders.

Currency notes are designed in different colours so that even people who are not literate can distinguish them. The symbols carried on the reverse of the notes draw inspiration from culture, and from heritage sites, or are chosen to represent India's scientific prowess or the march of technology.

For instance, the ₹2,000 note introduced in 2016 depicted the Mangalyaan, the country's first venture in inter-planetary Mars orbiting mission. And the latest ₹500 notes had the motif of the Delhi-based Red Fort. The new features of these notes included numerals in Devnagari script and Mahatma Gandhi's round-rimmed glasses, on which the logo of the Swachh Bharat campaign is based.

The ₹50 notes currently in circulation are pink-violet in colour and sport the Parliament building on the reverse. The new notes have already reached some RBI chests for distribution.

Drawing inspiration

While earlier note designs largely drew from historical milestones and personalities, currency designing now around the world increasingly draws from contemporary achievements. Just as India's ₹2,000 note featured the Mangalyaan launched in 2013, the South Pacific archipelago of Fiji celebrated its sporting success. In April 2017, the Reserve Bank of Fiji stamped the gold medal victory of Fiji rugby sevens team at the Rio Olympics in its \$7 banknote and 50-cent coin.

As multiple digital payment mechanisms become available, the role that currency notes will play in our daily lives need to be evaluated.

"The future of cash remains unknown but central banks from all corners of the globe report that cash remains king as a preferred retail payment method," according to a survey by Currency research, a global consulting firm.

"Today, 85 per cent of worldwide consumer spending is done in cash despite many forecasting the demise of this resilient product," it added.

5. SBI Life rolls out cancer policy

OUR BUREAU

SBI Life Insurance on Tuesday announced the launch of 'SBI Life-Sampoorn Cancer Suraksha', an individual, non-participating, non-linked health insurance product which helps one to prepare financially upon diagnosis of cancer.

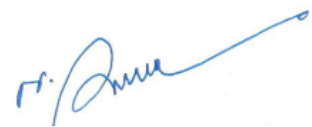
With this offering, SBI Life aims to provide financial stability by covering the treatment cost and unforeseen expenses that may arise during or later in the treatment process. The comprehensive cancer insurance product comes with three benefit structures (standard, classic and enhanced) to cover different stages of cancer — minor, major and advanced.

The policy is available for those between six and 65 years of age. The maximum maturity age is 75 years. This is a regular premium payment product with policy term ranging from five years to 30 years.

The minimum sum assured is ₹10 lakh and the maximum ₹50 lakh.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY