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**Dear Comrades,**

**3rd January, 2017**

**News of Interest 3rd Jan**

**QUOTE FOR THE DAY**

**“A GOOD PLAN VIOLENTLY EXECUTED NOW IS BETTER THAN A PERFECT PLAN EXECUTED NEXT WEEK. “**

**GEORGE S. PATTON**

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Business Standard

**1. Banks cut lending rates: How home-loan borrowers will benefit**

A slight revision of 50 bps point can increase eligibility for new borrowers

Tinesh Bhasin

For borrowers, the new year definitely started on a high note. Flushed with funds after demonetisation, banks have started reducing their lending rates. Punjab National Bank, the Union Bank of India and the State Bank of India (SBI) has already announced a cut in their benchmark lending rates.

Consequently, SBI has reduced its home loan rates by 50 basis points (bps) for loans up to Rs 75 lakh.

The bank now offers home loans at 8.65 per cent instead of 9.15 per cent for all borrowers except women who have an additional relief of 5 bps.

New borrowers will see an increase in their eligibility with the 50 basis point drop in interest rates for a home loan. A borrower earning Rs 1 lakh was eligible for a home loan of Rs 55 lakh for 20 years if the lender capped an EMI of 50 per cent on the monthly income. The same individual can now get Rs 58 lakh for home loan. For a 25-year-loan the eligibility goes up to Rs 62 lakh from the earlier Rs 59 lakh.

For existing customers who would benefit from this, the revision in interest rates can reduce the number of years remaining to repay the loan significantly. If your tenure was hiked to 25 years for a Rs 75 lakh loan at 9.15 per cent, after the 50 bps revision it would be brought down to 22 years.

Banks do not change the equated monthly instalment of customers. Instead, they change the tenure whenever there's a revision in interest rates. Similarly, if you had the same loan for 20 years, the repayment tenure would now be 18 years.

However, home loans linked to the marginal cost of funding lending rate (MCLR) may not see an immediate revision.

There is no standard time frame across banks to revise loans linked to MCLR- some revise rates every quarter, while others may change rates after a year. So, when rates are falling, borrowers won't get an immediate benefit.

However, when the rates are rising there will be a delay in resetting interest rates. Experts say that in the current period, it is better to opt for a bank that has a quarterly revision of MCLR.

## **2. After SBI's 90 bps move, more banks slash lending rates**

Dena Bank, Kotak Mahindra Bank, ICICI Bank are among the lenders that picked up cue from SBI

Nupur Anand

A day after country's largest lender-State Bank of India revised its benchmark lending rate, several other lenders have followed suit. Several banks including Dena Bank, Kotak Mahindra Bank among others have slashed their rates today and many other lenders are expected to follow suit.

This reduction in lending rate follows the pile up in deposits that the banks have witnessed post demonetisation. As per the RBI data, Rs 12.4 lakh crore have been deposited with banks till December 10.

ICICI Bank, country's largest private sector lender, has reduced its MCLR by 0.7% across different maturities. The bank has revised its 1 year MCLR from 8.9% to 8.2%, effective from January 3.

Banks had been asked by the regulator to switch to Marginal cost of funds based lending rates (MCLR) since earlier this year to improve faster transmission. However, despite this shift and prior to reduction in MCLR this time around the banks had been slow in passing the rate cut. Since January 2015, RBI has reduced the repo rate (the rate at which it lends to banks) by 175 basis points since January 2015.

<b>Bank</b>	<b>1-year MCLR ( new in %)</b>	<b>1-year MCLR (old in %)</b>
State Bank of India	8	8.90
IDBI Bank	9.15	9.30
Union Bank	8.65	9.30
State Bank of Travancore	9.2	9.45

Punjab National Bank	8.45	9.15
Indian Overseas Bank	9.15	9.50
Dena Bank	8.55	9.30
Kotak Mahindra Bank	9.00	9.20
ICICI Bank	8.20	8.90

### **3. Unhappy with hospitality? Don't have to pay service charge while eating out**

Full legal right not to do so, govt states; not really, says hotels body

Sanjeeb Mukherjee & Arnab Dutta

The government stated on Monday that any consumer may decide to refuse to pay the service charge levied by a hotel or restaurant.

This is a regrettable pronouncement on a justified practice, stated a leading hotels association.

Many restaurants and hotels levy a service charge of 5-20 per cent, usually seen as a replacement for tips. This is apart from the service tax charged from the customers.

The Centre has told states to ensure that hotels and restaurants disseminate the information that their service charges are discretionary and voluntary, and consumers dissatisfied with the service can refuse to pay them.

The National Hotel Owners Association of India stated, later in the day, that inclusion of a service charge in a restaurant bill is a widely accepted practice, recognised by various state governments and the Centre, and reinforced through judicial pronouncements.

Also, that the levy is a matter of policy for an eatery, which should display it. Thereafter, it is for the consumer to decide if he or she wishes to avail of the facility offered at the place, the body said.

The Association's statement did not mention the Centre's direction. In an earlier statement, the Department of Consumer Affairs (DCA) had said that it had received a number of complaints regarding hotels and restaurants levying a compulsory service charge which the consumers were forced to pay, irrespective of the type of service provided.

The statement added that the department had sought a clarification from the Hotel Association of India. In fact, it said, the Association had agreed that a service charge was completely discretionary and should a customer be dissatisfied with the dining experience, he or she can have it waived.

Highlighting provisions under the Consumer Protection Act, the government said a trade practice which, for the purpose of promoting the sale, use or supply of any goods or service, adopts any unfair method or deceptive practice is to be treated as an unfair trade practice.

The government further noted that a consumer can make a complaint to the appropriate consumer forum against such practices.

Financial Express

### **4. Demonetisation: Kerala hit by cash crunch, may not be able to pay salaries**

Kerala had sought currency worth R1,391 crore for disbursement of state government salaries and pensions, but so far only currency worth R400 crore has arrived.

By: FE Bureau

Kerala had sought currency worth R1,391 crore for disbursement of state government salaries and pensions, but so far only currency worth R400 crore has arrived. Though salaries are transferred in Kerala through treasury and bank accounts, the recipients are yet unable to encash it.

The Reserve Bank of India (RBI) had informed the state government that only 60% of the currency sought could be made available. Kerala is entitled to only currency worth R1,000 at present, the state had been told.

"Although currency worth R600 crore had been promised in the first phase of salary distribution, through SBT (State Bank of Travancore), RBI has provided only currency worth R400 crore on January 1," sources in the state's finance ministry told FE.

For salary and pensions, as many as 5.6 lakh and 4.35 lakh state government employees have opted for banks and treasuries, respectively. Of those who have opted for government treasuries, about four lakh are pensioners.

On the New Year day, when one-time-withdrawal of R4,000 was allowed, ATMs in Kerala reported currency dry-up by noon. While the official version was that 70% ATMs were active, queues melted down by noon. "Our experience is that only 50% of ATMs had been filled with currency. There are not enough R500 notes or R100 notes," says Geevarghese, who had been running from pillar to post for currency for transactions with petty traders, on his daughter's wedding eve.

In another instance, six ATMs near Guruvayur Sreekrishna Temple, one of the richest temples in South India, (500 kg gold reserves and R1,500 crore bank deposits), are reporting to go inactive frequently. They go cashless, in two hours of filling and the officials do not have enough currency to replenish.

Kerala has 8,000-odd ATMs and of these, as many as 6,000 have been in bank premises. Even though these are active, it is the rest of the ATMs, scattered across rural or semi-rural areas, which are inactive. In the rural areas, there are ATMs that haven't worked at all in the last 50 days.

## **5. SBI pushes merger of five associate banks, Bharatiya Mahila Bank to next fiscal**

State Bank chairperson Arundhati Bhattacharya today hinted that the mega merger of its five associate banks and Bharatiya Mahila Bank (BMB) could be pushed to the next financial year as it is still awaiting the government notification on the move.

By: PTI

State Bank chairperson Arundhati Bhattacharya today hinted that the mega merger of its five associate banks and Bharatiya Mahila Bank (BMB) could be pushed to the next financial year as it is still awaiting the government notification on the move.

"Probably, by a quarter or so (the merger could be delayed). The reason is we still have to get the government approval and even if we get it now, doing things like merger in the last quarter is never a very wise thing because there would be lot of IT system changes," she told reporters when asked whether the merger could be delayed due to the disruptions caused by the demonetisation drive.

The merger would make SBI a global-sized bank and would be amongst the top 50 lenders in the world, with an asset base of Rs 37 trillion or over USD 555 billion, with 22,500 branches and over 58,000 ATMs and more than 50 crore customers.

Bhattacharya said normally the banks close down all the IT system changes by mid-February. "Sometimes IT system can impact something else quite unknowingly. So we don't want to take any risks at the annual closing time. So we may want to do the annual closing and then look at it," she added.

When asked whether she has a new time in mind for the merger process to be completed, the chairperson said "no yet. Let me first get the government approval only then we will know."

When specifically asked what sort of government approval is pending, the chairperson said the government has "to notify the merger scheme."

It can be noted that the bank had announced the merger in May and its central board of directors had in August approved the process along with the share swap ratio for three of the listed associate banks and Bharatiya Mahila Bank.

At that time it was announced that the merger would be completed by end March 2017.

"The (merger) process will start by October-end. The grievance committee will come to us hopefully by September end, after that we have to send it to RBI and then to the government, which may probably take a little time of about month; and then it will come to us. After that we will have to make an offer to employees and then give them four weeks time and then the merger can take place," Bhattacharya had told PTI in an interview in September.

SBI has three listed associate banks – State Bank of Bikaner & Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT) and two unlisted associate bank – State Bank of Patiala and State Bank of Hyderabad.

Similarly, SBM and SBT shareholders would get 22 shares of SBI for every 10 shares. In case of Bharatiya Mahila Bank, 4,42,31,510 shares of SBI would be swapped for every 100 crore of Rs 10 each.

The lender had put in place a grievance redressal mechanism to provide an opportunity to its shareholders to file their objections with regard to the share swap ratios. It had given 21 calendar days of time for shareholders to register their complaints.

The grievance committee was headed by a High Court judge and two chartered accountants.

Bhattacharya said post the merger of five associate banks and Bharatiya Mahila Bank, the government's stake in the bank would stand at around 59 per cent.

SBI has around 16,500 branches, including 191 foreign offices spread across 36 countries. Globally, SBI will come at the 45th position in terms of asset size after the merger.

SBI first merged State Bank of Saurashtra with itself in 2008. Two years later, State Bank of Indore was merged.

Economic Times

## **6. NRIs can exchange old notes till June 30**

By ET Bureau

The Reserve Bank of India has allowed non-resident Indians to exchange scrapped Rs 500 and Rs 1,000 notes till June 30. This facility will be available through RBI offices in Mumbai, Delhi, Chennai, Kolkata and Nagpur.

In a notification issued late night on Saturday the banking regulator said that resident Indian citizens who failed to deposit old notes and were abroad between November 9 and December 30, 2016 can avail themselves of this facility up to March 31, 2017, and NRI citizens, who were abroad during this period, can exchange their defunct notes up to June 30, 2017.

"While there is no monetary limit for exchange for the eligible resident Indians, the limit for NRIs will be as per the relevant FEMA (Foreign Exchange Management Act) regulations (Rs 25,000 per person)," RBI said.

Citizens can avail themselves of this facility in their individual capacity once during the period on submission of identification documents and documentary evidence showing they were abroad during the period and that they did not make use of the exchange facility earlier, RBI said.

No third-party tender will be accepted under the facility, RBI said. On fulfilment of the terms and conditions and the genuineness of the notes tendered, admissible amount will be credited to the tenderer's KYC (know your customer) compliant bank account, it said.

Business Line

## **7. A broad-based loan policy needed, says AIBEA**

OUR BUREAU

The All India Bank Employees' Association (AIBEA) has said it will demand a national banking policy and national credit plan that is linked to India's economic development.

This is needed to broad-base loan policy as also to turn the banking industry into a more vibrant one to support all sections of people, CH Venkatachalam, General Secretary, AIBEA, told *BusinessLine* on the sidelines of a meeting here.

"More loans at lesser interest and easier terms should be extended to agriculture, rural development, infrastructure, education, health and the self-employed, among others," he said.

"In some States, the credit-deposit ratio is very adverse. These include Jharkhand, West Bengal, Madhya Pradesh, Uttar Pradesh, Bihar, Chhattisgarh and the North East.

"Credit-deposit ratios are around 25-35 per cent in those States. Unless banks pump in more money in the form of credit, these States will not be able to progress," he said. The ratio in Tamil Nadu is about 112 per cent and it is 95 per cent in Maharashtra. He also stated that there should be attractive plans to augment the savings of people in banks. Measures, such as exempting interest on bank deposits from income tax, will help attract more people to keep their money in banks, he pointed out.

Earlier, Venkatachalam said AIBEA would be holding its 28th conference in Chennai during January 8-11.

## **8. Post-demonetisation: PSBs account for over 75% of new Jan Dhan a/cs**

AJ VINAYAK

Public sector banks (PSBs) enrolled more Pradhan Mantri Jan Dhan Yojna (PMJDY) accounts compared to regional rural banks (RRBs) and private sector banks after demonetisation of ₹500 and ₹1,000 currency notes on November 8.

The available data shows that more than three-fourths of the 69 lakh new accounts opened under the PMJDY between November 9 and December 28 came from PSBs, which added 54.52 lakh new accounts. Nearly 37 lakh of them were from urban areas alone.

RRBs followed PSBs with 12.98 lakh new PMJDY accounts during the period. However, a majority of the accounts (11.92 lakh) were from rural areas.

Though major private sector banks added 2.28 lakh new accounts during the 49-day period from November 9, the number of accounts came down by 76,885 in rural areas. This led to a total increase of 1.51 lakh new accounts during the period.

### **Zero balance**

*As on December 28, one-fifth (20.50 per cent) of PMJDY accounts in RRBs, one-third (35.01 per cent) of accounts in private banks and one-fourth (24.45 per cent) in PSBs had zero balance.*

### **RuPay**

*Private sector banks improved their performance in issuing RuPay debit cards to PMJDY account-holders.*

*The percentage of PMJDY accounts with RuPay debit cards in private banks increased to 96.17 per cent by December 28 as against 92.70 per cent as on November 9.*

*Even PSBs and RRBs improved their performance to 79.32 per cent (77.19 per cent) and 74.16 per cent (68.22 per cent), respectively, during the period.*

### **Aadhaar**

*The seeding of Aadhaar number has been completed in more than half of the PMJDY accounts (58.66 per cent as on December 28) in PSBs.*

*It is yet to reach the halfway mark in private sector banks (45.32 per cent as on December 28).*

*The seeding of Aadhaar number touched 50.27 per cent in RRBs by the end of December 28.*

With kind regards,

Yours Comradely,



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