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**Dear Comrades,**

**27th June , 2017**

**News of Interest 27th JUNE**

**MOTIVATIONAL QUOTES**

**“A LEADER IS ONE WHO KNOWS THE WAY, GOES THE WAY, AND SHOWS THE WAY.”**  
**JOHN C. MAXWELL**

**HIGHLIGHTS**

- 1. FINANCIAL YEAR MAY BE CHANGED FROM 2018; BUDGET IN NOV?**
- 2. HUGE HAIRCUT NEEDED ON LARGEST NPAS, SAYS CRISIL**
- 3. CORPORATION BANK FRAUD: CBI REGISTERS 16 CASES**
- 4. RBI MAKES BANKS RESPONSIBLE FOR MISSELLING THIRD PARTY PRODUCTS**
- 5. DIGITAL PUSH: SBI TO ACQUIRE 6 LAKH FINGERPRINT SCANNERS**
- 6. UTKARSH SMALL FINANCE BANK LOOKS TO CROSS-SELL INSURANCE; PLANS 400 BRANCHES**

Business Standard

**1. Financial year may be changed from 2018; Budget in Nov?**

Acc to proposal under discussion, Budget session of Parliament would have to be held well before Dec

Press Trust of India

Come 2018 and the financial year in India could commence from January instead of April as the Centre appears set to make the historic transition to end the 150-year-old tradition.

Accordingly, the next Budget could be presented by the Centre in November this year, high level government sources told PTI here today.

The sources said the government is working on aligning the financial year with the calendar year after Prime Minister Narendra Modi pitched for a change.

This would be another historic change after advancement of the Budget presentation to February 1 this year, ending the decades-old practice of presenting the annual exercise in the last week of February.

According to the proposal under discussion, the Budget session of Parliament would have to be held well before December so that the budgetary exercise can be concluded by the year-end.

Since it takes nearly two months for the conclusion of the budgetary exercise, the possible dates for holding the Budget session could be the first week of November, the sources said.

The financial year from April 1 to March 31, currently in vogue nationally, was adopted in 1867 principally to align the Indian financial year with that of the British government.

Till then, the financial year in India used to commence on May 1 and end on April 30 of the following calendar year.

After Modi expressed his desire to align the financial year with the calendar year, the government had last year appointed a high-level committee to study the feasibility of shifting the financial year to January 1. The panel submitted its report to the Finance Minister in December.

Among the various factors, a NITI Aayog note had said that a change in the financial year was required as the current system leads to sub-optimal utilisation of working season.

It had also noted that the current financial year cycle was chosen without any reference to national culture and traditions or convenience of legislators.

Also, the financial year is not aligned with international practices and it impacted data collection and dissemination from the perspective of national accounts, according to the note prepared by NITI Aayog member Bibek Debroy and Officer on Special Duty Kishore Desai, citing experts.

A few months back, the Parliamentary Standing Committee on Finance also recommended shifting the financial year to the January-December.

Modi while advocating a change in the financial year had said that there is a need to develop robust arrangements that could function amidst diversity.

"Because of poor time management, many good initiatives and schemes had failed to deliver the anticipated results," the prime minister had said.

Madhya Pradesh became the first state to announce shifting of its financial year format to January-December from 2018.

## **2. Huge haircut needed on largest NPAs, says CRISIL**

Estimates another Rs 40,000 cr provision needed for 12 a/cs sent for insolvency action by RBI

[Abhijit Lele & PTI](#)

Rating agency CRISIL said the banks in question would need to find an extra Rs 40,000 crore as bad loan provisioning for the 12 big-size cases being referred, on Reserve Bank of India (RBI) order, to the National Company Law Tribunal (NCLT) for resolution.

These 12 large accounts had become non-performing assets (NPAs) on the banks' books by end-March 2016. CRISIL's study shows the banks had already provisioned 40 per cent for these NPAs worth Rs 2 lakh crore — that is, about Rs 80,000 crore.

CRISIL believes the lenders will have to take a haircut (the term for difference between the market value of assets used as loan collateral and the amount of the loan) of 60 per cent. That means banks will have to make a total provision for Rs 120,000 crore, said Krishnan Sitaraman, senior director at CRISIL.

If banks were asked to provide the additional Rs 40,000 crore in this financial year, this would create huge pressure on their bottom line. The impact could be mitigated if they were allowed to amortise the provisioning across six to eight quarters, he said.

RBI recently ordered that these 12 large NPAs be referred for resolution under the new Insolvency and Bankruptcy Code (IBC). Time-bound resolution of these cases will indeed be a big positive for bank balance sheets, CRISIL said.

The 12 accounts RBI named are Bhushan Steel (Rs 44,478 crore), Lanco Infra (Rs 44,365 crore), Essar Steel (Rs 37,284 crore), Bhushan Power (Rs 37,248 crore), Alok Industries (Rs 22,075 crore), Amtek Auto (Rs 14,075 crore), Monnet Ispat (Rs 12,115 crore), Electro steel Steels (Rs 10,274 crore), Era Infra (Rs 10,065 crore) Jaypee Infratech (Rs 9,635 crore), ABG Shipyard (Rs 6,953 crore) and Jyoti Structures (Rs 5,165 crore).

Six of these have already been referred to NCLT. State Bank of India, lead banker to six of these 12 accounts, has already referred Bhushan Steel, Essar Steel and Electrosteel Steels to NCLT; Punjab National Bank sent the Bhushan Power case to the body last week. IDBI Bank referred Lanco Infratech. Last week, Corporation Bank sent the Amtek Auto case.

CRISIL said its assessment was based on embedded value in the top 50 NPA cases. "We estimate a 60 per cent haircut would be needed on these loan assets. That would mean banks will have to increase provisioning by another 25 per cent this fiscal, compared with nine per cent in the last."

The total provisioning for NPAs by banks stood at Rs 2.2 lakh crore by end-March, up from Rs 2 lakh crore a year before. In the normal course, at nine per cent, they would have made a provision of about Rs 20,000 crore in this financial year.

The Internal Advisory Committee set up by RBI, which recommended the step, reviewed the top 500 exposures that are partly or wholly classified as NPAs. For other corporate NPAs, the panel has said banks should finalise a resolution plan within six months. Where a viable plan is not agreed upon in that period, banks should initiate insolvency proceedings under the IBC.

Economic Times

### **3. Corporation Bank fraud: CBI registers 16 cases**

**BY ET BUREAU**

The Central Bureau of Investigation has registered 16 cases on complaints received from Corporation related to alleged fraud involving three branches at Vasant Vihar,

Vasant Kunj and Aali in Delhi. Among the accused are then chief managers, senior managers and branch managers of the bank and some private persons.

Searches were conducted on Friday at 13 places, including Delhi, Ghaziabad and Ahmedabad, at the premises of accused leading to recovery of documents.

This is in addition to three more cases of bank fraud in the Vasant Kunj branch of Corporation Bank. Searches were also conducted at 10 places on June 1.

It was alleged that a group of loans floated various firms for the purpose of cheating the bank fraudulently by taking loans on the basis of fake or forged documents.

The accused bank officials allegedly processed and finalised loan applications without verifying documents and without completing pre-sanction formalities in haste and ultimately the loans became nonperforming assets. The NPAs are said to have caused a loss of ` 145.48 crore to the bank.

#### **4. RBI makes Banks responsible for misselling third party products**

**BY TNN**

Banks for the first time have been made accountable for misselling third-party products like insurance policies or mutual fund schemes. Customers can also file complaints against banks for problems with mobile and digital banking services.

The RBI on Friday said that it has widened the scope of its Banking Ombudsman Scheme 2006 to include deficiencies arising out of sale of third-party investment products by lenders. Under the amended scheme, a customer would also be able to lodge a complaint against banks for non-adherence to the RBI instructions with regard to mobile or electronic banking services.

Following the amendment, the pecuniary jurisdiction of the ombudsman to pass an award has been doubled from Rs 10 lakh to Rs 20 lakh. The ombudsman has been empowered to award compensation not exceeding Rs 1 lakh for loss of time, expenses incurred and also harassment and mental anguish suffered by the complainant. There is also an option for customers to go in for appeal in respects to closed complaints which was not available earlier.

Until now, if the buyer of an insurance policy or mutual fund was missing sold she had to seek redresses from the insurance company or the mutual fund. This was a departure from global practices. For instance, last year in UK four of the biggest banks, Barclays, HSBC, Lloyds and RBS, faced large fines for misspelling payment protection insurance.

There are 20 ombudsmen in India, each with a territorial jurisdiction. Aggrieved customers can lodge their complaints with the ombudsman either through an email or a post. However, before filing a complaint with the ombudsman the customer has to approach the grievance redressed department of the bank and wait 30 days for a response. Unlike the courts, no fees are required to be paid. However, the ombudsman can refuse to hear a complaint if it is time-barred or already heard in some other court. In FY16, the office of banking ombudsman received 1.03 lakh complaints.

**Business Line**

#### **5. Digital push: SBI to acquire 6 lakh fingerprint scanners**

OUR BUREAU

To give its rural banking business as well as digital payments channel a big push, State Bank of India plans to acquire six lakh fingerprint scanners.

India's largest bank wants to use the biometric scanners to facilitate various Aadhaar (biometric) based transactions from different channels and applications such as merchant payment.

The devices, which are expected to support live fingerprint detection, will be used by the bank's registered / nominated users at the field level, the bank said in its tender document.

The procurement of the scanners is part of SBI's plan to facilitate cashless merchant payments and reach out to financial inclusion customers, who have opened basic savings bank accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY), by boosting the development of 'Acceptance Touch Points' in physical and digital forms.

Under the PMJDY, which was launched in August 2015, SBI opened 85.70 million accounts and issued 58.60 million RuPay debit cards to eligible customers as of March 31, 2017. To service its large base of customers, the bank is seeking to expand its business correspondent (BC) network.

In addition to the traditional domestic branch network of 24,000 branches, SBI has engaged BCs at over 50,000 service points as of March 31, 2017.

BCs conduct banking business such as collecting small-value deposits, receiving and delivering small-value remittances, disbursing small-value credit, recovering principal/ collecting interest, and selling third-party products as agents of banks at places other than the bank premises. The value of transactions handled by the SBI through its BCs increased from ₹38,973 crore in fiscal 2015 to ₹58,217 crore in fiscal 2016, and to ₹73,820 crore in fiscal 2017.

## **6. Utkarsh Small Finance Bank looks to cross-sell insurance; plans 400 branches**

### **ABHISHEK LAW**

The newly-formed Varanasi-based Utkarsh Small Finance Bank will look to cross-sell insurance products through its branches from July.

Utkarsh plans to have a network of 400 branches by the end of this fiscal. While nearly 350 of its existing micro-finance branches will be upgraded to small finance bank branches, another 50 will be new additions.

Utkarsh currently has a customer base of 12 lakh across 10 major States — Uttar Pradesh, Bihar, Jharkhand, Uttarakhand, Maharashtra, Madhya Pradesh, Delhi, Haryana, Himachal Pradesh and Chhattisgarh.

According to Govind Singh, MD and CEO, the bank has already tied up with ICICI Prudential Life, Shriram Life, HDFC Life and HDFC Ergo to cross-sell both life and general insurance offerings.

"In our case, the ticket size of insurance products will obviously be lower in the initial days. So, in the first year, commission income may not be substantial," he told *Business Line* in an interview.

### **Interest rates**

However, Singh expects mobilisation of deposits (in its previous stint as an MFI the company was not allowed to take deposits) as one of the major advantages.

"Our overall blended borrowing costs will come down by 100 to 150 basis points this year because of accretion of deposits. The current cost of loans I have taken from banks would range between 11 and 13 per cent. We expect overall cost of deposits to be in the range of 8 to 8.5 per cent," he explained.

As far as term deposits are concerned, Utkarsh offers interest at around 100-150 basis points higher than large banks (varying at 8.25-8.5 per cent), while for savings deposits the rate is 6 per cent.

"Our lending rates will remain the same initially. My funding is still from the old term loans we had taken from banks. We expect around 100-200 basis-point reduction in the cost of lending for the asset side, but that will happen gradually," he explained.

For joint lending group (JLG) or micro-finance, it is still 24 per cent, while Utkarsh has stopped charging loan processing fees for disbursements of over ₹25,000. But, in case of MSME lending, the rates have come down to 18-20 per cent, from 24-26 per cent.

### **Business growth**

The small finance bank will focus on the non-micro-finance sectors like MSMEs and housing loans, retail loans like two-wheeler finance, personal loans, among others. Currently, micro-finance lending accounts for 94 per cent of its loan book of ₹1,800 crore.

### **Mobilising deposits**

According to Singh, Utkarsh is expecting to mobilise deposits to the tune of ₹1,800-2,000 crore, while advances will be ₹3,000-3,500 crore by the end of this fiscal.

In terms of geographical expansion, the small finance bank will look to consolidate its presence in the existing States, while a foray into Odisha is being considered.

With kind regards,

Yours Comradely,



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

