



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)  
163/4, Kutchery Road, Mylapore, Chennai - 600004  
E mail i.d: [aiubparf@gmail.com](mailto:aiubparf@gmail.com)/ [ubioatnng@gmail.com](mailto:ubioatnng@gmail.com)/ [suryanarayananram@gmail.com](mailto:suryanarayananram@gmail.com)

**Com. P.B. Thomas**  
Chairman  
Thiruvananthapuram  
M: 09447177456

**Com. Nitin Desai**  
President  
Ahmedabad  
M: 097277 60641

**Com. S. Bagchi**  
Working President  
Kolkata  
M: 0983081586

**Com. N. Govindarajulu**  
General Secretary  
Chennai  
M: 09841089111

**Dear Comrades,**

**2nd February , 2017**

**News of Interest 22nd MAR**

**MOTIVATIONAL QUOTES**

**“IT DOES NOT MATTER HOW SLOWLY YOU GO AS LONG AS YOU DO NOT STOP. “**

**CONFUCIUS**

- 1. CASH TRANSACTION LIMIT LOWERED TO RS 2 LAKH**
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- 4. WILFUL DEFAULTERS OWE RS 91,155 CRORE TO PSBS**
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**1. Cash transaction limit lowered to Rs 2 lakh**

Aadhaar mandatory for filing I-T returns, PAN

Indivjal Dhasmana

The Rs 3-lakh limit proposed for cash payments in the Budget for 2017-18 would be brought down to Rs 2 lakh as part of an unprecedented 40 amendments to the Finance Bill.

Finance Minister Arun Jaitley moved the amendments in the lower House on Tuesday. This is aimed at tightening the noose on those dealing in cash.

Most other amendments — making Aadhaar mandatory for filing tax returns, applying for permanent account numbers (PAN) and allowing payments by only non-

cash modes such as cheques, bank drafts or electronic transfers for electoral trusts — are also aimed at curbing black money.

A few are aimed at rationalising tribunals by merging these to reduce the number to 12 from 40.

The amendment related to reducing the cap on cash transactions comes amidst reports that digital transactions had declined after a spurt after demonetisation.

“In the amendment to the Finance Bill, the government has proposed the limit of Rs 3 lakh for cash transactions be reduced to Rs 2 lakh,” Revenue Secretary Hasmukh Adhia tweeted. He added the penalty for violation would be a fine equivalent to the amount of the transaction. The penalty would be paid by individuals or establishments receiving the payment.

The Rs 2-lakh limit applies to single transactions, those in aggregate from a person in a day, and to those relating to one event or occasion from a person. The provision does not apply to the government, banks and post offices.

The proposal said the penalty would not be levied if a person could give sufficient reason for contravention. Fines would be levied only by joint commissioners of the income-tax (I-T) department.

On November 8 last year, Prime Minister Narendra Modi had demonetised the old series Rs 500 and Rs 1,000 notes, leading to a cash crunch in the economy.

Analysts said the fine was too high. “The penalty is huge when the system is yet to get used to the new rules and appropriate infrastructure yet to be created for individuals, small businesses and jewellers,” said Neeru Ahuja of Deloitte.

While provisions were required to check the generation of black money, penalty should be low in the initial years, and raised only after the system got adjusted to it and proper infrastructure created, she added.

The current requirement of quoting PAN for cash spending also starts from Rs 2 lakh.

The value of digital transactions nationwide declined 1.5 per cent to Rs 92.6 lakh crore in February from Rs 94 lakh crore in November, according to provisional data on electronic payments released by the Reserve Bank of India (RBI).

Also, currency in circulation started rising every week since January 13 till March 10, against contraction every week from November 11 to January 4, roughly a period when people were allowed to deposit money in scrapped Rs 500 and Rs 1,000 notes in banks.

As the Finance Bill was taken up for consideration in the Lok Sabha, Opposition parties protested against the introduction of the amendments.

Saugata Roy of the Trinamool Congress said when the government introduced the Finance Bill in February, it had 150 clauses and seven schedules but now the government has added another 33 clauses and two schedules. “This is unprecedented and we have already protested,” he said.

Questioning the electoral bonds to bring transparency in poll funding, Congress member Deepender Singh Hooda said the amendments to the Representation of People’s Act was not incidental, as they were not related to tax. He suggested the government should have brought a separate Bill for the purpose.

Later, Communist Party of India (M) General Secretary Sitaram Yechury said several Bills had been smuggled into the Finance Bill; the move was a subversion of the Constitution, to bypass the Rajya Sabha as the Finance Bill was a money bill.

The Opposition's objections were overruled by Speaker Sumitra Mahajan, who ruled that the "incidental provisions" involved in the amendments constituted a money Bill and therefore could be considered as part of the Bill.

Defending the amendments, Jaitley said if a substantial portion of a Bill dealt with imposition or abolition of taxes, then, even if it had incidental provisions, it could still be introduced as a money Bill. "No tax can be imposed without reference to courts or tribunals. These are incidental provisions," he said.

In his Budget speech in February, Jaitley had said, "The predominance of cash in the economy makes it possible for people to evade taxes. When too many people evade taxes, the burden of their share falls on those who are honest and compliant."

### **Changes on cards**

- Got proposes 40 amendments to various Acts under the Finance Bill
- Apart from a cash ceiling, these include amendments to make Aadhaar mandatory for filing of I-T returns, applying for PAN
- Amendments to the Companies Act in relation to non-cash payment to electoral trusts
- Amendments to the Representation of People Act in relation to electoral bonds

### **2. State Bank VRS scheme to remain open for a short time**

Available for those who put in 20 years of service or completed 55 years of age as on Feb 28, 2017

#### Anup Roy & Abhijit Lele

Ahead of the merger with parent State Bank of India (SBI), associate banks have started rolling out voluntary retirement schemes (VRS) for their employees with a very short deadline.

The VRS rolled out by the State Bank of Patiala has asked the employees to accept the offer within 15 days, between March 22 and April 5. A further seven days, till April 12, has been given to withdraw the application. An employee of the bank said the timeline given was too short.

"Whenever VRS was launched, it was effective for at least 45 days. However, for us, the time is only 15 days," said a disgruntled employee of the bank.

A senior SBI executive said the announcement of the scheme was just a formal communication. The bank has been in touch with employees on the issue through their association.

The conditions which are part of the scheme had already been discussed and there were no specific rules regarding the time given to decide on VRS. According to the official, around 12,500 people are eligible under the scheme, which is roughly 17 per cent of the employees of all associate banks.

"In view of the acquisition of the bank by the SBI, which will become effective from April 1, it has been decided to extend the VRS to provide an exit for employees who prefer to retire or look for opportunities elsewhere," stated a letter from the personnel department of the State Bank of Patiala, sent to all branches and departmental heads.

VRS will be available for those who have put in 20 years of service or have completed 55 years of age as on February 28, 2017.

Ineligible employees for the scheme include staff members who have executed bonds and have not completed them; staff members serving abroad, employees against whom disciplinary proceedings are pending or who are under suspension, employees appointed on contract basis and "highly skilled and qualified staff" such as MBA graduates, chartered accountants and equivalent, IT experts, currency and bond dealers etc. Bank unions have asked employees to reject the offer.

Employees opting for VRS will not be eligible for re-employment with the bank but would "be eligible for taking up contractual assignments in SBI."

"The employees seeking retirement under VRS will not be entitled to dispute the payment received under the scheme on any ground whatsoever," the scheme said.

Applications for the scheme, other than for subordinate staff members, have to be done online and the employee has to send a written confirmation to the CRS cell at the head office. But, one can withdraw from the scheme only via the old-fashioned physical application mode. Subordinate staff members have to submit a written application for availing the VRS scheme. And the withdrawal from the scheme is not entirely dependent on the employee.

The employees availing VRS will be paid an ex-gratia amounting to 50 per cent of salary for the residual period of service (up to the date of superannuation), subject to a maximum of 30 months' salary.

The VRS takers, who have opted for pension, will get commuted pension and can encash the balance of privilege leave. Leave fare concession will be extended up to four months after voluntary retirement.

"Respective facilities extended to officers/ others on retirement on superannuation such as retention of accommodation, telephone, car etc. will be extended to officers/others retiring under the VRS, as per present dispensation," the scheme said, adding, loans availed at concessional rates would continue to be at the terms originally entered.

### **3. Bank officers want pay equality with central govt officers**

Demands include 5-day banking, PF to be calculated on total salary and allowances, not only on basic

Anup Roy & Abhijit Lele

At a time when the government is contemplating cutting employee benefits to 10 laggard public sector banks, bank officers have demanded that they should be given revised basic pay at par with central government officers on the same principles of 7th Pay Commission.

The negotiations have not started yet, as not all banks have given the mandate to Indian Banks Association (IBA) to negotiate on their behalf. Meanwhile, United Forum of Bank Unions, the umbrella organisation of bank unions, is yet to appoint coordinator for negotiations. But unions on a standalone basis have started to demand high emoluments. At the end of December 2016, the gross bad debt of the banking system crossed ~6 lakh crore and the total stressed assets is estimated to be more than ~9.5 lakh crore.

The government on March 16 shot a letter to 10 banks stating that capital infusion in these banks would depend upon quarterly milestones and only after these banks sign a memorandum of understanding with unions to sacrifice employee benefits should there be a need.

The 7th Pay Commission had recommended overall 23.55% hike in basic plus allowances. The government had accepted 14.27% hike in basics, while the allowances would have to be decided later. According to reports, allowances could be decided in this month itself.

The current wage pact comes to an end in October. The last wage negotiation, pending since 2012, was settled in May 2015 at 15% hike.

This time the government wanted to finish the process early and so it prodded banks to start the negotiation process, starting January of 2016, but banks dilly-dallied. Finally, in December 2016, the government shot its fourth letter to banks to start the process with the unions. Still, not all banks have given the mandate to the IBA. The State Bank of India (SBI), for example, will give the mandate to unions only after the merger process is over in April.

According to sources, 16 banks – all from the public sector - have given a mandate to the IBA to negotiate on behalf of banks. Five banks, including the SBI, Dena Bank and Bank of Baroda are yet to send mandate. The SBI will perhaps send in April after integration with associate banks, sources said.

The IBA will form panel and can start the negotiation with unions only after its gets all the mandate, an official at the IBA said.

The letter has gone to the IBA from by a joint committee of All India Bank Officers' Confederation, All India Bank Officers' Association, Indian National Bank Officers' Congress and National Organisation of Bank Officers.

In their demand letter, these organisations have also demanded very steep hikes in dearness allowances (DA) and wage increases, for example, merger of special allowances with dearness allowance as on 31 October 2017, with existing basic pay. And have asked for a revised DA formula "with provision for automatic merger and improvement in compensation against price rise."

Besides, an allowance "equal to amount of last drawn increment should be granted every year after reaching a maximum in the scale," and "date of sanction of annual increments should be on January 1 and July 1 every year," are also in the demand letter.

There are also such demands as two months' salary to compensate expenses on transfer and payment of lump sum amount of transfer to meet the education expenses of children.

Out of 34 demands, there are provisions for improvement in leave travel concession and making the mode of entitlement as "air travel to all the officers, and executive class for senior executives."

Also, the unions are back in their demand of five-day banking and Provident Fund calculation at the rate of 12% of the total salary and allowances. Plus gratuity at the rate of one month salary and allowances, without any ceiling. According to the income tax rules, provident fund is calculated only on the basic salary. Gratuity is calculated on 15 days basics. Besides, the unions want abolishment of new pension scheme and roll back to the old pension system.

"Unions always demand the moon and scale down to a laughable level," said a senior officer who is part of a union. "Bank books have deteriorated since 2012 (when the last wage pact got implemented) and banks can't do deficit budget like the government. What will happen is that government will refer the wage structure to the Pay Commission and unions will have absolutely no role in the process," said the senior executive, who did not wish to be named.

If the commission gets to decide on bank pay, the chances of any hike will go for good, fear some union members.

### **Charter of demands**

1. Revised basic pay at par with central govt officers
2. Revised DA formula automatically adjusting price rise
3. Allowance equal to last drawn increment to be granted every year after reaching maximum in scale
4. Two months' salary to cover incidental expenses on transfer
5. Payment of lump sum amount on transfer to meet education expense of children
6. Leave fare compensation with entitlement of air travel for all officers and executive class for seniors
7. Provision for crèche facility/flexi timings/work from home for women employees
8. Five-day banking
9. Family should include father in law and mother in law, brothers and sisters (divorced or deserted)
10. PF to be calculated on total salary and allowances, not only on basic

### **Economic Times**

#### **4. Wilful defaulters owe Rs 91,155 crore to PSBs**

By PTI

There were more than 9,100 wilful defaulters who together owed Rs 91,155 crore to public sector banks at December-end, Parliament was informed today.

Banks declare wilful defaulters as per the norms stipulated by the Reserve Bank of India.

There were 9,130 wilful defaulters who owe Rs 91,155 crore to public sector banks, Minister of State for Finance Santosh Kumar Gangwar said in a written reply to the Rajya Sabha.

In another reply, he said the NPAs of the state-run banks reduced by Rs 37,815 crore in 2016. The reduction was Rs 41,236 crore in the previous year.

#### **5. IDBI Bank to get ₹1,900-cr capital infusion**

OUR BUREAU

IDBI Bank on Tuesday said its board has approved the proposal for preferential issue of capital to the government and other financial institutions aggregating up to ₹2,500 crore.

P Sitaram, Executive Director, said as part of the preferential issue of capital, the government will infuse ₹1,900 crore and the balance could come in from financial institutions such as Life Insurance Corporation of India.

As at December-end 2016, the government and LIC held 73.98 per cent and 14.37 per cent stakes, respectively, in the public sector bank.

"If the government alone infuses capital then its stake could go beyond 75 per cent. If other financial institutions also pitch in then the government's stake will be slightly below 75 per cent," said Sitaram.

The bank, in a stock exchange notice, said the capital infusion is subject to statutory/regulatory approvals.

IDBI Bank shares closed at ₹77.40 apiece, down 0.32 per cent over the previous close on the BSE.

Meanwhile, the bank, in a stock exchange notice, said the government has appointed Mukesh Kumar Jain, currently MD and CEO of Indian Bank, as its MD and CEO for the remaining period of his current tenure or until further orders, whichever is earlier.

IDBI Bank's present MD and CEO Kishor Kharat will replace Jain at Indian Bank.

## **6. Govt mulling 100% FDI in insurance broking**

PRESS TRUST OF INDIA

The government is considering allowing 100 per cent foreign direct investment in insurance broking with a view to giving a boost to the sector and attracting more funds.

The FDI policy, at present, allows 49 per cent foreign investment in the insurance sector that encompasses insurance broking, insurance companies, third-party administrators, surveyors and loss assessors as defined by the Department of Industrial Policy and Promotion.

An official said that representations have been made to the government that insurance brokers should be treated at par with other financial services intermediaries, where 100 per cent FDI is permitted.

"Insurance broking is like any other financial or commodity broking services. The issue was recently discussed in an inter-ministerial meeting. The government is positively looking at the matter," the official said.

The official, however, clarified that the FDI cap for insurance companies would remain at 49 per cent.

Further, industry experts stated that the insurance sector is being impacted due to weak distribution networks. There is a need to strengthen the distribution network to support the sector as a whole.

According to Prudent Insurance Brokers Director Pavanjit Singh Dhingra, the decision would help strengthen distribution as it is not a capital-intensive business.

The removal of foreign investment limit will encourage more players in the market with high technology, he said, adding it will help increase insurance penetration in India.

Insurance penetration in the country was 3.4 per cent in 2015 against the world average of 6.2 per cent. It was 3.3 per cent in the country in 2014.

## 7. Note ban to affect NBFC collections in short term: Moody's

PTI

Moody's Investors Service today said non banking financial companies (NBFCs) will demonstrate broadly stable asset quality, but delinquencies could rise over the next 1-2 quarters as demonetisation adversely affects collections across asset classes.

It said the growth in loans against property has outpaced overall retail credit growth in recent years, but relatively loose underwriting practices, combined with intensifying competition, will translate into higher asset quality risk for this segment.

"NBFCs in India will demonstrate broadly stable asset quality, but delinquencies will likely rise over the next 1-2 quarters, as demonetisation adversely affects collections across asset classes," Moody's said in a statement.

Over the past three years, NBFCs have gained some market share in the origination of retail lending on the back of faster growth exhibited by such entities when compared to banks.

This is particularly the case when compared to public sector banks, which face significant challenges on their asset quality and overall solvency profiles, it said.

"Nevertheless, we expect that competitive pressures from the banking sector will remain intense as banks are increasing targeting of the retail segment to offset weakness in their corporate lending. In addition, retail lending, particularly housing loans, is more capital efficient for the banks," Moody's VP and Senior Analyst Alka Anbarasu said.

While the NBFCs' capitalisation levels are adequate with average Tier 1 ratios in excess of 14 per cent, capital generation will lag credit growth. Access to external capital will therefore hold the key in sustaining the NBFCs' growth momentum.

Moody's expects that the NBFCs' funding profiles will broadly remain stable, and funding costs should moderate gradually, given the reduction in systemic rates.

In addition, the NBFCs' profitability and capital, as well as funding and liquidity levels, will stay broadly stable.

With kind regards,

Yours Comradely,



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