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Dear Comrades,

27th March , 2017

News of Interest 27th MAR

MOTIVATIONAL QUOTES

“OPPORTUNITY DOES NOT KNOCK, IT PRESENTS ITSELF WHEN YOU BEAT DOWN THE DOOR.”

KYLE CHANDLER

HIGHLIGHTS

1. SBI WORKFORCE MAY SEE 10% REDUCTION BY 2019; HIRING TO FALL BY 50%: MD
2. BAD DEBT WOES: RBI SET TO TAKE DRIVER'S SEAT IN BANKS' FIGHT AGAINST NPAS
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Business Standard

1. SBI workforce may see 10% reduction by 2019; hiring to fall by 50%: MD

However, SBI MD Rajnish Kumar ruled out any lay-offs

IANS

The total workforce of the country's largest lender -- State Bank of India (SBI) -- will see a reduction over the next two years, after the merger with six entities, owing to attrition, reduced hiring and digitisation, a top official said.

"Manpower will go down with the period of time. Around 10 per cent reduction in two years may be a possibility," Rajnish Kumar, SBI managing director, told IANS in an interview.

Currently, the public lender has around 207,000 workforce and the merger of six entities -- SBBJ (State Bank of Bikaner and Jaipur), SBM (State Bank of Mysore), SBT (State Bank of Travancore), SBP (State Bank of Patiala) and SBH (State Bank of Hyderabad), Bharatiya Mahila Bank -- from April 1 will add approximately 70,000 employees.

"Post-merger we will be at 2,77,000 people in SBI. This may come down to 2,60,000 by March 2019. So it may be less than 10 per cent. Let us first merge and see the impact of the key process changes," Kumar said.

He said there would be some actual reduction in headcount along with re-assignment of the roles, but lay-offs are not an option.

"We have offered voluntary retirement scheme (VRS), there would be natural attrition and every year we may not replace head by head (replacement recruitment). Manpower will also reduce as a result of digital initiatives. There will be a combined effect," he added.

Ruling out layoffs, he said the question does not arise.

"Two years down the line, these efficiencies will start showing. Reduction in manpower will depend on efficiency of the merger and branch networks. Lot of duplication happening will be removed and we will have more feet on the street (customer outreach programmes)," Kumar told IANS.

Hiring in SBI may not be halted, but will reduce by 50 per cent in a year, he said. In 2016-17, SBI hired 19,000 people.

"It will come down from the previous average of hiring. It could be reduced by 50 per cent. We will return to usual 5,000-6,000 recruitment every year," he said.

"We cannot stop new hiring because it creates a lot of gap in the middle management down the line. But full replacement may not be required. If 13,000 people retire in a year, we may recruit 7,000-8,000 in a year," he added.

Kumar said the bank will continue with its policy of branch expansion, and the associate bank branches will be merged.

"There is a policy of branch expansion, we are governed by that. We keep on opening new branches depending on the business potential, that will not stop. We are working on the plan as to how many branches we will open in next two years," he said.

SBI managing director said there would be ample benefits from the merger in terms of cost-efficiency and rationalisation.

"Treasury integration, risk management optimisation will happen. It will result in efficiency gains for the bank. Continuously supporting them with capital will not be required. Initially, the costs may go up, but in the next two years... The rationalisation efficiencies will surface," he said.

2. Bad debt woes: RBI set to take driver's seat in banks' fight against NPAs

Central bank likely to keep tabs on large wilful defaulters; policy likely by month-end

Dilasha Seth

The Reserve Bank of India (RBI) will likely find itself in the driver's seat in the war against bad debt — closely monitoring big-ticket restructuring and even getting to decide the haircut to be taken by banks.

These and other changes could be introduced by the end of this month by the government, formulated after a series of meetings between the central bank and finance ministry officials.

As banking regulator, RBI doesn't, as a rule, get directly involved in individual accounts. It issues broad guidelines that apply to everyone.

The new strategy was discussed in meetings between the finance ministry, RBI and prime minister's office (PMO). "The plan is in the works and will be finalised by the end of the month," a source said.

The strategy is likely to empower the RBI to monitor cases of large wilful defaulters, a source said. The central bank may also be allowed to decide on the losses banks must bear if a Joint Lenders' Forum (JLF) fails to decide on haircut. A JLF has to be compulsorily formed when the aggregate exposure of banks is over Rs 100 crore in a case.

The strategy could include auctioning of assets by banks, one-time settlement, setting up more oversight panels, and reformulating the JLF mechanism to allow faster resolution of non-performing assets (NPAs). Criminal charges could be in the offing against large wilful defaulters, sources said.

Currently, a restructuring package is approved only when at least 75 per cent of creditors by value and 60 per cent by number approve. This might get squeezed further, making it possible to go ahead if three or four banks with the highest exposure in a JLF agree on a restructuring package. If a JLF is still undecided on a haircut, RBI may step in with its own prescription.

The government has also proposed multiplying the oversight committee (OC) that looks into the process of cases referred to it by banks. The RBI set up a three-member OC under the Scheme for Sustainable Structuring of Stressed Assets. The committee's job is to ensure loan restructuring in a transparent manner. Every deal must be cleared by the panel before implementation.

The issue was also discussed in the consultative committee meeting of the finance ministry.

The plan could include auctioning of stressed assets in sectors such as steel and power to cash-rich public sector undertakings (PSUs). Sources said PSUs would not be forced to buy these assets but could if they found synergy with their operations.

According to experts, auctioning of big-ticket stressed loans may not find ready buyers. Of course, the government can force public sector companies to pick up the tab. On their own, buyers would be wary of loans that even banks fail to recover.

Of the Rs 6.8-lakh crore NPAs of public sector banks (PSBs) till December 2016, 70 per cent are of big corporate houses. "It is not that hundreds and thousands of businesses have created this problem. The problem of big NPAs is confined to essentially 30-50 companies. Those need to be resolved," Finance Minister Arun Jaitley said recently.

Bad loans of PSBs rose by about Rs 1 lakh crore during April-December, the bulk from the power, steel, roads and textile industries. The latest Economic Survey suggested the setting up of a bad bank in the form of a public sector asset rehabilitation agency.

A reduction in interest rate is also among the options being considered, for a few sectors.

However, a bad bank may not materialise soon, as the country runs a twin deficit.

"A bad bank can work only with surplus money, either fiscal surplus or even a current account surplus. Otherwise, you are spending taxpayer money to bail out the private sector," said an economist with a government institution, who did not wish to be named.

3. SBI's Arundhati Bhattacharya among Fortune's top 50 global leaders

Only Indian to feature in the list this time

Anup Roy

State Bank of India (SBI) Chairman Arundhati Bhattacharya has been ranked 26th in the Fortune magazine's World 50 Greatest Leaders list for 2017, only Indian to feature in the list this time.

The list features those who are "transforming the world and inspiring others to do the same."

Fortune said Bhattacharya, being the first-ever woman to helm India's largest bank, has "ably steered SBI through rough waters (on-going battle with bad loans) and sudden storms (India's surprise demonetisation scheme)."

"She's been transformative, dragging the sprawling, 211-year-old institution into the digital era and overhauling HR for her 200,000+ employees. The complex six-bank merger she orchestrated last year will catapult SBI into the ranks of the world's 50 largest banks," the magazine said.

In the list, Bhattacharya ranks higher than South American music star Shakira, billionaire entrepreneur Elon Musk and Canadian Prime Minister Justin Trudeau.

The list is topped by Theo Epstein, president for baseball of Chicago Cubs, followed by Jack Ma, founder of Alibaba Group.

Also in the list are Melinda Gates, Pope Francis, Amazon's Jeff Bezos, US Senator John McCain, German Chancellor Angela Merkel and Federal Reserve Chair Janet Yellen.

Financial Express

4. Note ban may have affected CAD, says SBI Research

SBI Research has attributed the lower outward remittances and massive jump in travel receipts, which bumped up the December quarter CAD, to the note ban impact that dominated the review period

By: PTI

SBI Research has attributed the lower outward remittances and massive jump in travel receipts, which bumped up the December quarter CAD, to the note ban impact that dominated the review period. "There are two distinct trends in the current account deficit (CAD) data print — lower outward remittances and higher travel receipts — and this could be attributed to note ban," SBI Research said in a weekend note.

The upward revision in services exports is one of the main reasons in containing CAD, says the report. The rise in services export is mainly due to a rise in net travel

balances, which grew by a massive 146 per cent to USD 2,476 million in Q3, when the demonetisation was announced, it said.

The increase in net travel balances can be largely attributed to 73 per cent quarter-on-quarter growth in personal travel, it further said.

"Net travel has registered the incremental increase of USD 1,469 million in the quarter, which is an all-time high (at least since 2000-01)," the report said.

"We believe, people travelling to the country during this time may have bought in more dollars/old currencies, thereby getting reflected in travel receipts during this period," it said.

On demonetisation causing lower outward remittances, the report said outflows through the liberalised remittance scheme (LRS) that was showing a steep jump in the beginning of 2016 and possibly leading to a decline in domestic deposits, is now tapering off sharply.

Interestingly, in the note ban quarter, the growth rate of inward remittance slipped to 56 per cent from a high of 342 per cent in the preceding quarter.

"Now, whether this is due to increased apprehension on the part of public regarding tighter norms for unaccounted money or something else is entirely a matter of debate and conjecture," the report said. "But the fact is, this may have resulted in lower remittances abroad and possibly an increase in domestic deposits," it said.

The CAD stood at USD 7.9 billion (1.4 per cent of GDP) in the third quarter of FY17, up than USD 3.4 billion (0.6 per cent of GDP) in the preceding quarter.

But in percentage terms, it was stagnant at 1.4 per cent in the year ago period, and was up by USD 800 million in absolute terms.

The less-than expected widening of CAD has burnished the rupee's strength after an increase in the US interest rates, the report said adding that "the strong CAD data can support the rupee in the short-term." The CAD is likely to be within limits of 1-1.5 per cent in FY19 too, it said.

Economic Times

5. Union protests RBI decision to keep branches open next week

By PTI |

Bank officers' union AIBOC has registered a protest against the RBI's decision to keep bank branches open on all holidays till April 1 to facilitate government tax collection.

"In our opinion, the necessity to open the branches for transacting government business on all holidays one week before the end of the financial year is not at all required. There are four full normal working days between 25th and 31st March 2017, which is more than enough to complete all government transactions. ," AIBOC said in a statement.

In a letter written to RBI Governor Urjit Patel, All India Bank Officers' Confederation (AIBOC) said that due to the notification, bank employees won't be able to celebrate Navaratri, Ugadi, Gudi Padwa and many other festivals falling between March 25 and April 1.

It is nothing short of hurting the religious sentiments of our people who worked under lot of pressure during demonetisation.

Many branches across the country reported nil tax collection as people were not aware of RBI late night notification.

Most of the field functionaries received the communication in the morning, therefore branches opened late and hardly a few customers turned up, a senior public sector bank official said.

"The announcement at the eleventh hour by RBI was a futile exercise as no data centres were prepared for collection of tax. Neither were customers properly informed, nor bankers. So, who benefited remains a big question," the official said, adding, in the entire process, bankers lost a holiday.

RBI, in a late night statement yesterday said, all banks have been advised to keep all their branches dealing with government business open on all days in the current financial year and on April 1, 2017 (including Saturday, Sunday and all holidays) to facilitate government receipt and payment functions.

"The concerned departments of the Reserve Bank undertaking government business will also remain open on the above days," the central bank had said.

Business Line

6. Officers' union AIBOC resolves not to sign 'turnaround' plan for 10 banks

OUR BUREAU

The bank officers' fraternity met at SBIOA House in Kolkata on Friday to discuss the finance department's 'turnaround plan' proposal of 10 banks.

These 10 banks have been identified as ones where capital infusion by the government in future would be conditional.

The banks are: IDBI Bank, Bank of India, UCO Bank, Andhra Bank, Indian Overseas Bank, Dena Bank, United Bank of India, Allahabad Bank, Bank of Maharashtra and Central Bank of India. The government is understood to have asked the unions and associations in these banks to sign an agreement for the 'turnaround plan'.

The All India Bank Officers' Confederation (AIBOC) has resolved not to sign the proposal put forth by the government, instead negotiate for a "more viable and practical" plan.

Stating that it is unfair to ask the unions/associations to take responsibility for a turnaround when they have not been party to decisions, Thomas Franco, General Secretary, AIBOC, said: "Employees have practically no role in the government's policy and credit decisions. The entire banking industry is facing the menace of NPA (Non-Performing Asset) because of environmental factors, and a major portion of the NPA is big-ticket loans, which include corporates and infrastructure projects. The credit decisions in such cases are not taken by the employees. It is, therefore, not fair to shift the onus of responsibility on the employees."

'Meaningless' to target staff

"There is also a condition on realignment/reorientation of perquisites of employees and officers in the said 10 banks till they turnaround," Franco said.

"Even if all the officers and employees forego their salaries and perquisites for a year, it will not help turnaround the banks. It is, therefore, meaningless to target employees and officers."

The AIBOC has alternatively assured to recover smaller NPAs (wherever possible) through follow up, while demanding the government to publish the names of willful defaulters and initiating stringent action against big-ticket (loan) defaulters.

"The demand for credit is huge in rural and semi-urban areas. This should be addressed notwithstanding the need to strengthen finance support to smaller borrowers.

"The focus should be on NPA recovery instead of the push to cross-sell. Unnecessary travel expenses can be postponed, extravagant expenses can be reduced without touching staff expenses, and so on," Franco said.

The meeting resolved to impress upon the government the need for an immediate meeting with the unions/associations, appointment of officer/employee directors on the board of banks, implementation of the recommendations of the Parliamentary Standing Committee on NPA and release of compensation for the expenditure incurred in opening 27 crore Jan Dhan accounts and opportunity cost due to demonetization.

7. Indian Bank to operate on all days till April 1

PTI

Public sector Indian Bank today said all its branches, which were authorised to take up government transactions, would function on all days till April 1 considering closing of financial year.

"As per the directions of RBI and Government of India, all authorised branches for government transactions would function on all days from March 25 to April 1," the city-based bank said in a press release.

"We request general public to utilise the service for paying taxes on time", it said.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY

