



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
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**Dear Comrades,**

**10th November, 2017**

**News of Interest 10th NOV**

**MOTIVATIONAL QUOTES**

**“WHAT YOU DO TODAY CAN IMPROVE ALL YOUR TOMORROWS. “**  
**RALPH MARSTON**

**HIGHLIGHTS**

- 1. PSB CONCLAVE TO FOCUS ON GOVERNANCE, NPA RESOLUTION, CREDIT REVIVAL**
- 2. DEMONETISATION IMPACT: PEOPLE'S CURRENCY HOLDING HABITS IMPACTED, SAYS RBI**
- 3. PROVIDE DOORSTEP BANKING TO THOSE ABOVE 70 BY DECEMBER 31, SAYS RBI**
- 4. IT EXPERTISE AT BANKS' BOARD LEVEL A MUST, SAYS RBI ED**
- 5. POST NOTE BAN, SAVINGS TOOK THE EQUITY/MF ROUTE: PAPER BY RBI STAFF**

**Business Standard**

**1. PSB conclave to focus on governance, NPA resolution, credit revival**

Job growth, consolidation also on the agenda

Abhijit Lele

With a Rs 2.11-lakh crore capital infusion plan in hand, top executives of public sector banks (PSBs) will brainstorm with officials and experts at Gurugram over the weekend about governance issues, experience with insolvency cases, recoveries and credit demand revival.

A conclave titled Vichar Manthan will see presentations by seven groups, each headed by the managing director or chief executive of a PSB. This is

the third such gathering of PSB executives, officials, and experts. Earlier conclaves were held in 2014 and 2016.

PSB executives said capital commitment was just one part, the focus now was on improving governance and efficiency. The deliberations will focus on governance, human resource issues, and turnaround. The aim is to enhance lending capacity and support job growth and secure better value for stakeholders, including the government.

Union Finance Minister Arun Jaitley is expected to address the two-day conclave at the State Bank of India (SBI) Academy in Gurugram. Early sessions on Saturday at the conclave will dwell on lessons from nine years of loan growth covering days of heady expansion, the effects of the slowdown, and stress recognition.

The groups will make presentations on themes like responsible and responsive banking and the digital push for financial inclusion.

Senior Bank executive said the government had accorded priority to increasing lending to medium, small and micro enterprises as they had a higher potential for employment creation. This will be one theme for a presentation with experience sharing on need assessment, monitoring, prompt support for units facing strain, and reducing risks of slippage.

There will also be a discussion around human resources, given the large-scale retirements at the senior level, and practices. Plus, a rapid shift in the skills requirement at the entry level due to digital banking and expansion of networks are expected to come up for discussion to flesh out immediate and long-term strategies.

Of the Rs 2.11 lakh crore capital infusion plan, Rs 76,000 crore will come in through budgetary support and bank stake sales, and Rs 1.35 lakh crore through bond sales. While making the announcement, Jaitley had said the recapitalisation process would be followed by a series of reforms to make state-run banks more accountable.

At the end of 2014, the government organised a similar conclave at the National Institute of Bank Management in Pune for banks and financial institutions, called Gyan Sangam. Its second edition was held in March 2016 at the SBI Academy, after which the government said it had embarked on the third phase of reforms in PSBs that would look into all aspects, including consolidation.

Last week, the government announced the structure of an alternative mechanism to examine proposals for amalgamation. The mechanism, to be headed by the finance minister, may direct PSBs to examine consolidation proposals.

There are now 20 PSBs other than SBI. The banking scenario has changed since bank nationalisation in the 1970s and 1980s with an increased presence of private banks, non-banking finance companies, regional rural banks, payments banks, and small finance banks.

The mechanism is expected to facilitate the creation of strong and competitive banks in the public sector. These entities will be better able to meet the credit needs of a growing economy and absorb shocks with an improved capacity to raise resources without depending unduly on the exchequer.

**2. Demonetisation impact: People's currency holding habits impacted, says RBI**

As on October 27, the total currency in circulation (CIC) was lower by 8 per cent on a year-on-year basis

Advait Rao Palepu

One year after the note ban, there is a significant drop in demand for currency due to a sharp rise in payments through digital means, digitisation, and changes in currency holding habits, according to a study by the Reserve Bank of India (RBI).

As on October 27, the total currency in circulation (CIC) was lower by 8 per cent on a year-on-year basis, as against an increase of 17.2 per cent last year. It is estimated that the CIC declined by around Rs 9 lakh crore between November 4, 2016 and January 6, 2017.

In an article titled “Impact of Demonetisation on the Financial Sector” in its latest monthly bulletin, the RBI says the income elasticity of currency demand between the second quarter of 2014 and the second quarter of 2017 dropped from 1.07 to 0.91. This means that as the CIC has contracted, the less cash there is to hold for every rupee increase in a person’s income.

Demonetisation “has had a significant effect on the currency holding habits of the public which, in conjunction with greater digitisation of retail transactions and the sharp increase in electronic modes of payments, may have led to a durable downward shift in the currency demand of households”, says the central bank.

According to the ‘Broad Money’ measure of money supply, or ‘M3’—which includes currency, short-term and long-term time deposits in banks, and money market funds of all types of maturity — the CIC fell to 12.3 per cent on October 13, 2017, as compared to 14.4 per cent on November 11, 2016.

Based on extensive calculations and multiple methods, the RBI staffers who authored the article have attempted to estimate how much of the cash deposits made during the November-December demonetisation period was in ‘excess’, when compared to the previous trends.

One estimate by the RBI, using certain assumptions, time-series models, and aggregate bank data, states there was an excess of 4.2 per cent in deposits growth, which translates to around Rs 3.8 trillion. Another estimate of ‘excess’ deposits, using bank account data, shows that across 52 banks and under the seven types of accounts — basic saving bank deposit accounts (BSBDA), PMJDY accounts, kisan credit card(s) (KSS), dormant or inoperative accounts, jewellery/bullion traders’ accounts, and loan accounts — which saw substantial inflows in the first two weeks of demonetisation, Rs 4.35 trillion worth of cash deposits were made during November-December 2016. During September-October 2016, the amount of cash deposited into these accounts was Rs 2.7 trillion.

Demonetisation was instrumental in inducing a strong shift, within Indian consumers and the wider public, to adopt formal channels of savings and banking, the RBI concludes.

### **Key takeaways**

\* Total currency in circulation (CIC) was down 8 per cent y-o-y

\* This was against an increase of 17.2 per cent last year

\* CIC declined by Rs 9 lakh crore between Nov 4, 2016 and Jan 6, 2017

\* There was an excess of 4.2 per cent in deposits growth, which translates into Rs 3.8 lakh crore

## **Financial Express**

### **3. Provide doorstep banking to those above 70 by December 31, says RBI**

Senior citizens of more than 70 years of age and the differently-abled can look forward to availing of basic banking services, right from the comfort of their home

By: PTI

Senior citizens of more than 70 years of age and the differently-abled can look forward to availing of basic banking services, right from the comfort of their home. The RBI today asked banks to provide doorstep banking facilities to senior citizens of more than 70 years of age and differently-abled persons by December this year. Banks have been directed that senior citizens and specially-abled persons, including the visually-impaired, should be provided basic services like pick-up and delivery of cash, chequebooks and demand drafts at their residence. Issuing a notification in this regard, the RBI said "it has been observed" that there are occasions when banks discourage or turn away senior citizens and differently-abled persons from availing banking facilities in branches. "... in view of the difficulties faced by senior citizens of more than 70 years of age and differently-abled or infirm persons (having medically certified chronic illness or disability) including those who are visually impaired, banks are advised to make concerted effort to provide basic banking facilities..." the RBI said in a communication to banks, including small finance and payments banks.

These facilities should include pick-up of cash and instruments against receipt, delivery of cash against withdrawal from accounts, delivery of demand drafts, submission of Know Your Customer (KYC) documents and Life Certificates at the premises or residence of such customers. "Banks are advised to implement these instructions by December 31, 2017, in letter and spirit and give due publicity in their bank branches and websites," it said.

The RBI noted that notwithstanding the need to push digital transactions and use of ATMs, it is imperative to be sensitive to the requirements of senior citizens and the differently-abled. The notification further said that in addition to the facility of Digital Life Certificate under 'Jeevan Praman' Scheme, pensioners can submit physical Life Certificate form at any branch of the pension-paying bank.

"However, it is observed that often the same is not updated promptly by the receiving branch in the Core Banking Solution (CBS) system of the bank, resulting in avoidable hardship to the pensioners," it noted, asking banks to ensure that when a Life Certificate is submitted in any branch, including a non-home branch, the same should be updated and uploaded promptly in the CBS. The RBI asked banks to provide a minimum of 25 cheque leaves every year for a savings bank account free of charge. They should not insist on physical presence of any customer, including senior citizens and differently-abled persons, for getting cheque books.

Banks have also been advised that a fully KYC compliant account should automatically be converted into a 'Senior Citizen Account' based on the date of birth available in the bank's records. According to the apex bank, banks

should provide senior citizens and differently-abled persons Form 15G/H (related to tax deduction at source) once a year (preferably in April).

Economic Times

#### **4. IT expertise at banks' board level a must, says RBI ED**

PTI

With cyber threat emerging as a major risk for the financial sector, the Reserve Bank today said banks need to have a board with IT expertise to ensure speedy implementation of measures to address this challenge.

Banks need to have a broader organisational framework to prepare for cyber security threats.

"With banking becoming more technology driven, IT expertise at the board level has become a necessity," Reserve Bank's Executive Director Meena Hemchandra said at a CII organised cyber security summit here.

She said a board level mandate is crucial for the speed with which a bank or a financial institution revs up its cyber security measures.

"Unless the board is committed, the speed will be very slow," the RBI ED said.

Banks need to prepare themselves with as much speed as possible as the cyber attackers are fairly more advanced sometimes than the banks, she said.

"You cannot really prepare yourself for cyber security unless your organisational framework is broader. The need to have an appropriate organisational arrangement cannot be just be underestimated and it definitely include having chief security officers (CSOs)," Hemchandra said.

She said trade-off between ease of operating and cyber security has to be carefully looked into, preferably at the board level, by framing a policy.

At present, banks receive threat information from various sources, including the RBI and CSOs' forum.

The executive director said banks need to be prompt in sharing any breach in cyber security to authorities and regulators as the information can save others from such attacks.

"If you want threat information, then reciprocity is certainly to be expected. The reciprocity demands that banks do not delay in reporting incidents to authorities that are collating," she added.

Besides focusing on cyber security, it is also important for financial institutions to have crisis management plans in place, Hemchandra said.

Business Line

#### **5. Post note ban, savings took the equity/MF route: paper by RBI staff**

OUR BUREAU

The demonetisation exercise of November 8 last year has induced households to shift toward formal channels of savings.

There has also been a noticeable downward shift in the currency demand of public, concluded an article, 'Impact of Demonetisation in the Financial Sector', published in the Reserve Bank of India's latest bulletin.

Also, during demonetisation, there was a distinct increase in saving flows into equity/debt oriented mutual funds and life insurance policies.

Apart from this, non-banking financial companies seem to have recorded improvement in collections and disbursements.

The article highlights that the demonetisation-led increase in CASA (current and savings accounts) deposits also led to significant improvement in transmission to bank lending rates during post-demonetisation period.

The challenge, going forward, would be to channel these funds into productive segments of the economy and expand the footprints of the digital economy, which has undergone a sharp increase —another important consequence of demonetisation.

There has also been a sharp increase in the number of accounts under the Pradhan Mantri Jan Dhan Yojana and the deposits in such accounts have also surged, which has given a boost to financial inclusion efforts.

### **Currency demand**

There has been a significant shift in the income elasticity of currency demand in the post-demonetisation period to 0.9 from more than 1 in the pre-demonetisation period, reflecting a reduction in cash intensity in retail transactions.

### **Bank deposits**

The 'excess' low-cost bank deposit growth, a mirror image of the decline in currency in circulation, following demonetisation has been estimated in the range of 3-4.7 percentage points.

### **Financial inclusion**

Since demonetisation, 50 million new accounts were opened under Pradhan Mantri Jan Dhan Yojana by October 2017.

### **Suspicious transactions**

The amount of unusual cash deposits in special types of accounts (such as the basic savings bank deposit, PMJDY, Kisan Credit Card, loan accounts and the like) is estimated in the range of ₹1.6-1.7 trillion.

### **Monetary transmission**

In an environment of a surge in low-cost CASA deposits, banks announced a large cut in their marginal cost of funds based lending rates with a 100 basis points reduction in 1-year MCLR (marginal cost of funds-based lending rate).

## **Mutual funds**

A sizeable expansion in the collections of debt/income oriented mutual funds occurred after demonetisation i.e. during November 2016 to March 2017. The Assets under Management by mutual funds increased from about ₹16 trillion to ₹21 trillion between end-October 2016 and end-October 2017.

## **Retail payments**

There has been accelerated digitisation of retail payments.

The latest data reveal that pre-paid payment instrument volumes increased by 54 per cent between November 2016 and August 2017.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**