



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/ ubioatngr@gmail.com/ 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
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Dear Comrades,

29th November , 2017

News of Interest 29th NOV

MOTIVATIONAL QUOTES

“THERE WAS NEVER A NIGHT OR A PROBLEM THAT COULD DEFEAT SUNRISE OR HOPE. “ BERNARD WILLIAMS

HIGHLIGHTS

- 1. DIGITAL PAYMENT FAST REPLACING CASH AS PREDOMINANT WAY: JAITLEY**
- 2. GOVT WANTS RBI RATE CUT BEFORE MARCH: FINANCE MINISTRY SOURCES**
- 3. PAYTM PLANS BIG, AIMS TO BECOME LARGEST FULL-SERVICE DIGITAL BANK**
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Business Standard

1. Digital payment fast replacing cash as predominant way: Jaitley

He said that technology has changed the entire dynamics the way the banking is done in the country

Press Trust of India

Finance Minister Arun Jaitley today said digital transaction is fast taking the place of cash being a predominant instrument for transactions with a series of government initiatives to formalise the economy.

"We had almost reconciled to the fact that the economy would be substantially informal. It's only on its own strength that it will take decades or maybe, centuries to formalise itself and that no shake-up from the system was required.

"And that on its own pace would have taken an indefinite long time and we would have all waited till the cows came home for the economy to really formalise by itself. But then several policy initiatives that the government took one after the other have set off a chain reaction and that chain reaction is visible in various ways," he said here.

The finance minister, after launching the Paytm Payments Bank, also observed that technology has changed the entire dynamics the way the banking is done in the country.

"Earlier, we perceived banks to be brick and mortar branches. In fact, my fraternity in politics is still reasonably behind times. I still get representations during Parliament session from my colleagues who only insist on brick and mortar branches to be opened in their constituencies," he said.

Cash being the predominant instrument is gradually changing, he said.

"We all are realising that convenience, security and even proprietary lie in switchover itself," he said, adding that the conventional mind will find it extremely difficult to accept this, but then the whole mass below itself will change and only isolated cases will find themselves as an exception.

Paytm Payments Bank CEO Renu Satti said, "Paytm Payments Bank is the country's largest mobile-first, technology-led bank. By virtue of reaching every nook and corner of the country, we will be able to bring the large un-served and under-served population to the mainstream economy. We are committed to offering the most transparent, safe and trusted banking to masses."

Paytm today officially launched its payments bank operations after a beta launch in May this year.

Accounts holders of Paytm Payments Bank will get benefits like zero-fee account -- no minimum balance required -- free IMPS, NEFT, RTGS, UPI transactions and access to over 1 lakh Paytm ATM locations across India.

Besides, the company has planned an investment of USD 500 million in KYC (Know Your Customer) operations. It is setting up KYC centres across India to complete the KYC process for customers and making them eligible for a Payments Bank account.

"Paytm Payments Bank is the country's largest mobile- first, technology-led bank. By virtue of reaching every nook and corner of the country, we will be able to bring the large un-served and under-served population to the mainstream economy," Satti added.

2. Govt wants RBI rate cut before March: Finance Ministry sources

We expect the RBI to cut policy rates, if not in December then in its next policy review: Finance Ministry

Reuters

Impatient for faster economic growth, India's government is lobbying for a reduction in official interest rates in coming months as it expects inflation to stay close to a 4 percent target, finance ministry officials said.

At its last meeting in October, the Monetary Policy Committee (MPC) left the repo rate at 6.0 percent, near a seven-year low, and a Reuters poll found

that economists expected the rate to stay there through to the second quarter of next year.

The finance ministry, according to officials, wants a rate cut sooner than that, putting a focus on the MPC meeting on Dec 5-6, or when it next convenes in February.

"We expect the RBI to cut policy rates, if not in December then in its next policy review," one ministry official told Reuters on condition of anonymity. After that, he said, higher oil prices could fuel inflation, making it more difficult to cut rates.

At its Oct. 4 meeting, the MPC voted 5-1 to keep rates unchanged, and minutes released on Oct. 18 showed RBI Governor Urjit Patel flagging risks to the inflation outlook, and the need for more evidence to show whether headwinds holding back economic growth were "transient or sustained".

On Thursday, India will release GDP data for the July-September quarter, having seen economic growth slow to a three year low of 5.7 percent in the previous three months.

The weak growth means 3-1/2 years into his 5-year term, Prime Minister Narendra Modi is falling a long way short of his promise of a dynamic economy to create jobs for the millions of young Indians joining the labour force each year.

His government can't afford to boost public investment without endangering the commitment to fiscal consolidation that helped persuade Moody's Investors Service this month to award India its first sovereign credit rating upgrade in nearly 14 years.

That leaves most of the pressure on the RBI to loosen monetary policy in order to revive currently anaemic private investment.

A finance ministry spokesman declined to comment on its discussions with the RBI. The central bank also did not comment.

BEHIND ITS OWN CURVE

Since last year, India's policy rate has been set by a committee that includes non-central bankers, instead of leaving it entirely to the RBI. But the finance ministry doesn't have a representative on the six-member MPC.

The panel is composed of the RBI governor, who has the casting vote in the event of a tie, two senior officials from the central bank's monetary policy department and three economists from the academic world.

The MPC's mandate is to set interest rates to achieve a targeted 4 percent inflation with plus minus 2 percent on either side, and maintain price stability while keeping in mind the objective of economic growth.

As a result of the new Goods and Services Tax harmonising central and state levies, the finance ministry expects lower prices for some 200 goods to subdue retail inflation, which had struck a seven-month high of 3.58 percent in October.

"We see inflation remaining around 4 percent until March and a scope for a rate cut of 25 basis points, a second ministry official said, also speaking on the condition of anonymity because of the sensitivity of the issue.

But an official aware of the RBI's thinking said the MPC should be mindful of the risk of sudden-supply side shocks, and set policies that provide space to absorb them.

Surjit Bhalla, a member of the Prime Minister's Economic Advisory Council, aired his impatience with the stalling.

"The MPC has been way behind its own curve, its own stated goals," he wrote in the Indian Express newspaper, noting inflation had stayed below target for last 12 months.

Financial Express

3. Paytm plans big, aims to become largest full-service digital bank in the world

Paytm Payments Bank is targeting to become the world's largest digital bank with 500 million bank accounts and aims to turn into an integrated financial services company that offers everything from wealth management to share trading

By: [Bloomberg](#)

Paytm Payments Bank is targeting to become the world's largest digital bank with 500 million bank accounts and aims to turn into an integrated financial services company that offers everything from wealth management to share trading. "We are unveiling our money market fund, launching our debit card and we'll have the capabilities to allow enterprises to open business accounts," Paytm founder Vijay Shekhar Sharma said in a phone interview that coincided with Tuesday's formal inauguration of its payments bank in New Delhi by India's Finance Minister Arun Jaitley. "Digital payments was our entry point, we want to become a vertically-integrated financial services company." The formal launch signals that the payments bank is now out of its beta mode and has many operational challenges sorted, he said. Payments banks can accept deposits and remittances but cannot lend. Paytm is one of less than a dozen entities that got permits to start payments banks to bring financial services within easy reach of about a fifth of India's 1.3 billion people who do not have access to organized financial services. The service is part of a key push by Narendra Modi's government to broaden banking access to the unbanked and under-banked, mostly poor Indians who live in rural areas.

The service will be the country's mobile-first bank with zero fee on online transactions and no minimum balance, according to a statement from the company. Paytm Payments Bank is majority-owned by Sharma. One97 Communications, which is backed by Alibaba Group Holding, Ant Financial Services and others, holds the remaining 49 percent. The payments bank morphed out of Paytm's digital wallet which got a huge boost and amassed over a hundred million customers after India took its high currency bills, totalling nearly 90 percent of the value of cash, out of circulation last November. Sharma may have found a way around the regulatory hurdles that bar lending. One97 Communications will introduce a charge card and offer monthly instalment-based loans, he said. "We will launch share trading and insurance products very soon," said Sharma. "We want to become an Internet-age financial services company."

In India, the traditional banking system veers heavily toward those with wealth and the poorer citizens struggle to pay bills or transfer money to their relatives. "Buying insurance and investing through our wealth management products will become widely accessible through the payments

bank,” said Sharma. Despite the proliferation of smart phones and cheap data rates bringing Internet access to millions, banks in the country are yet to build large digital banking capabilities. Indian consumers are not entirely comfortable with digital financial start-ups either. Sharma said both these could work in Paytm’s favour. “There are very few brands like ours that are trusted, and the winner will take all in this potentially very large market.”

Economic Times

4. Between the frying pan and fire: NPA mess leaves Modi with few choices

By T K Arun

The resolution of bad loans via the Insolvency and Bankruptcy Code presents the government with a choice: between the frying pan and the fire. There is a way out of this fiery mess, but that calls for thinking and acting out of the box.

If a promoter ends up buying back his company in the resolution proceeding’s auction for its assets, at a steep discount to the debt the company owed, the government would be accused of letting the promoter loot the bank at the taxpayer’s expense.

If the promoter is barred from taking part in the auction and the company is sold cheap to a competitor, the government would be accused of fixing the match and handing over a bonanza to a crony.

Create New Bidders

This is the hard reality of resolving bad loans: banks have to take a haircut and the taxpayer has to make good the loss to the bank, so that it continues to function and does not go belly up, taking its depositors’ money with it to the netherworld. How much the Opposition’s slings and arrows would hurt the government would be in direct proportion to the extent of the haircut the banks have to take. The point is to minimise the haircut.

Why have bad loans piled up in such an unprecedented fashion? The UPA government went on an infrastructure building spree via public-private partnerships, which built airports — the New Delhi and Mumbai airports — new expressways and various other roads, ports, power projects and so on. Many new assets got built. However, many projects got stalled as well.

Power projects are victims of the political class’ collective failure to insist that people pay for the power they consume. State utilities are broke, lack the capacity to bill and collect, shut down supply for hours, leaving citizens to run diesel generators and pollute the air, and have reneged on power purchase agreements with generation projects that have become stranded.

Another factor was failure to provide environmental and other clearances during the period of paralysis in decision-making that took hold early in 2011, when the then-minister and secretary for telecom were sent to jail and lasted till end-2012, when the government set up a Cabinet Committee on Infrastructure, to take collective decisions and spare the bureaucrat individual accountability for any decision that could be challenged in the days to come. Many projects developed cost overruns that derailed their finances.

Land acquisition was the problem for some. Gaps in acquisition stalled projects and rendered them unviable.

Steel had a special problem. The global crisis left the world with excess capacity, concentrated in China, which started dumping steel around the world. On top of that, the present government persuaded the Supreme Court to cancel captive coal mine allocations, and left some steel projects with no fuel and messed-up finances.

Does this mean that promoters of these projects were blameless victims of policy vicissitudes and global economic turmoil? Hardly.

Most Indian promoters inflate project costs, at least to the extent by which the loan component would be exaggerated to finance the promoter's equity contribution as well.

This is one reason why Indian companies seem to be less efficient than Chinese ones: their pricing must be higher to service a capital cost higher than what was warranted.

Minimise the Haircut

Why do banks sanction loans to such projects with inflated costs? The additional credit granted to finance padded costs is shared with bankers and their political and bureaucratic bosses. India's political parties, and politicians, fund themselves almost exclusively from the proceeds of such and similar corruption.

The solution to this systemic problem is another discussion. If we come back to the red-hot choices on the resolution front, how to minimise the burden on the public, of refinancing bank losses on haircuts on resolved bad loans?

Create new bidders with serious financial muscle. Uday Kotak described the resolution assets on the block as a once-in-a-lifetime opportunity for finance firms. Prime assets would go for a fraction of the cost of setting up fresh like capacity. Buy them cheap, run them or sell them, to make a killing.

Invite private equity firms from around the world to take part. Produce serious, reliable information on the assets and liabilities of the companies being resolved, so that investors are assured there are no booby traps hidden in the company's accounts.

Create new bidders. Ask SAIL to bid for steel assets, and NTPC, for power assets. Let the Employees' Provident Fund and the National Pension System set up special situation funds to take part in the bidding for the assets going under the hammer, on their own or in partnership.

The banks could set up special purpose vehicles to bid for these assets, and sell them later at a profit. The US government made good money on the stricken companies it took over after the financial crisis and, later, re-privatised. There are solutions aplenty. But there is also this reality that some like it hot.

5. RBL Bank hikes stake in Swadhaar Finserve to 60%

PTI

Midsize private sector lender RBL Bank has increased its stake in microlender Swadhaar Finserve to 60.48 per cent for an undisclosed sum and now possesses rights to up it to 100 per cent.

The transaction comes amid similar ones by rivals IndusInd Bank, Kotak Mahindra Bank and IDFC Bank to acquire micro lenders to deepen reach and help meet the mandated priority sector loans.

In September last year, RBL Bank had acquired 30 per cent of Swadhaar, which now operates as the bank's business correspondent in 17 states and Union Territories through 242 branches.

RBL's managing director and chief executive Vishwavir Ahuja said Swadhaar is now a subsidiary for the bank and increasing the stake is in line with its vision and strategy.

"The bank sees Swadhaar as a vehicle to execute its strategy to become a significant player in the financial inclusion and micro banking segment," he said, adding its micro advances book stands at around Rs 4,600 crore serving 1.9 million borrowers.

Swadhaar alone has helped the bank create assets under management of around Rs 1,000 crore as of September 2017, it said.

Subject to regulatory approvals, RBL can now up its stake in the company to 100 per cent, a statement issued by the bank said.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY