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Dear Comrades,

5th October , 2017

News of Interest 5th OCT

MOTIVATIONAL QUOTES

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

HIGHLIGHTS

- 1. RAJNISH KUMAR TO BE NEW SBI CHAIRMAN**
- 2. ECONOMY ON RIGHT TRACK: PM MODI**
- 3. RBI MONETARY POLICY: URJIT PATEL SEES PAIN, OFFERS NO RELIEF; CUTS SLR BY 50 BPS**
- 4. GROWTH FORECAST REVISION IS WAKE-UP CALL, SAYS KARNATAKA BANK CEO**
- 5. NEW FPI NORMS FROM APRIL: RBI**

Business Standard

1. Rajnish Kumar to be new SBI chairman

Kumar is at present one of the four managing directors at SBI, looking after the National Banking Group

Abhijit Lele & PTI

Rajnish Kumar was on Wednesday named the new chairman of State Bank of India (SBI), the country's biggest lender. He would take over from current Chairman Arundhati Bhattacharya, who will complete her four-year term on Friday.

Kumar, 59, is at present one of the four managing directors at SBI, looking after the National Banking Group — which covers the retail, SME and agriculture business verticals. He had joined the lender in 1980. The Appointments Committee of the Cabinet approved his appointment as the SBI chairman for a period of three years from the date of taking over the charge on or after October 7, an order issued by the Department of Personnel and Training (DoPT) said.

Tackling the issue of ongoing resolution of bad loans and human resources to ensure smooth functioning of operations after the merger of associate banks will be the two top priorities throughout his innings. Supporting growth through increased lending would also figure prominently on agenda, SBI group executives said.

He is seen more as a doer with a focus on action, said a middle-level SBI executive.

Kumar faces the daunting task of addressing the issue of massive NPAs of the bank. Gross NPAs of public sector banks rose to Rs 6.41 lakh crore at the end of March 2017 as against Rs 5.02 lakh crore a year ago, according to a Finance Ministry data. As many as 1,762 wilful defaulters owed Rs 25,104 crore to SBI as of March 31, 2017, it said. SBI and its erstwhile associates alone wrote off Rs 27,574 crore of NPAs in 2016-17, according to RBI data.

Kumar will begin his innings with a comfortable capital base as the bank raised about Rs 15,000 crore of equity capital through QIP in the June quarter.

Kumar joined the SBI board on May 26, 2015. Prior to this appointment, he was Managing Director —Compliance and Risk, and Managing Director and Chief Executive Officer of SBI Capital Markets Limited, the merchant banking arm of the bank, according to his bio data. He had earlier served as chief general manager, project finance and leasing strategic business unit, it said.

2. Economy on right track: PM Modi

Modi slams UPA, says it's not first time growth has fallen to 5.7% in a quarter

[Indivjal Dhasmana](#) |

Prime Minister Narendra Modi on Wednesday lambasted the critics of his government's economic policies and expressed commitment to carrying out further reforms to reverse the trend of declining GDP (gross domestic product) growth.

Modi compared the "achievements" of the three years of the National Democratic Alliance (NDA) government led by him against the "failures" of the previous United Progressive Alliance (UPA) regime, arguing this was not the first time that the economic growth had fallen to 5.7 per cent in a quarter. The UPA regime's record was much worse, he added.

He said the current government had made a paradigm shift from policy paralysis of the previous government to policy implementation.

Modi assured the companies coming into the formal economy that they would not be hounded and their old records would not be examined. He said demonetisation had led to a reduction in the cash-GDP ratio to 9 per cent now, compared with over 12 per cent before November 8, 2016.

Amid concerns raised by many over hassles under the goods and services tax (GST) regime, the Prime Minister said the new tax system had added 1.9 million new taxpayers. Two days before the GST Council meeting on Friday, he assured that changes would be made in the new system as and when the need arose.

On job creation, he said the reforms undertaken by his government were playing a big role in employment generation. "This is true that after recording 7.5 per cent GDP growth on an average in the previous three years, economic expansion declined to 5.7 per cent during the April-June quarter of the current financial year. But, this is also true that this government is committed to reversing this trend," Modi said, speaking at the 50th anniversary of the Institute of Company Secretaries of India (ICSI) here.

Compared to this, the last two years of the UPA government witnessed 6 per cent growth, he said, adding that he was taking only the last two years of the Manmohan Singh government to compare growth numbers under the revised methodology.

The GDP growth declined to 5.7 per cent or less eight times during the Manmohan Singh rule, he said.

Those UPA years were not good for the economy as low growth was associated with high inflation, fiscal deficit, and current account deficit, he said.

Modi said India's economy had seen quarters that clocked only 1.2 per cent or 0.2 per cent economic growth.

Modi took on the economists who have pointed fingers at the methodology to calculate GDP when the growth rate was high, saying when the economic expansion fell to 6.1 per cent and 5.7 per cent in the past two quarters, these very same economists started lauding correctness of GDP numbers.

He rolled out the statistics of auto sales, tractor sales, two-wheeler sales, rise in domestic air traffic, telecom subscribers, sale of FMCGs, PMI numbers, natural gas production, disbursement in personal loans, advances by housing finance companies, non-banking finance companies, capital market numbers to buttress his point that demand had revived in the economy.

He said the government had taken many important decisions aimed at economic reforms and this process would continue. "We will continue to take necessary steps to promote economic development and foreign direct investment. We will also maintain financial stability."

In the past three years, he said, the government had carried out 87 small and big reforms relating to 21 sectors. "We have initiated changes in defence, construction, financial services, food processing among these sectors."

Financial Express

3. RBI monetary policy: Urjit Patel sees pain, offers no relief; cuts SLR by 50 bps

Although it acknowledged the slowdown in the economy by slashing its gross value added growth forecast to 6.7% in 2016-17 from the earlier 7.3%, the Reserve Bank of India (RBI) on Wednesday refrained from offering any relief

By: [Shayan Ghosh](#) |

Although it acknowledged the slowdown in the economy by slashing its gross value added growth forecast to 6.7% in 2016-17 from the earlier 7.3%, the Reserve Bank of India ([RBI](#)) on Wednesday refrained from offering any relief.

The central bank left the key repo rate unchanged at 6% but freed up liquidity trimming the statutory liquidity ratio by 50 basis points (bps) to 19.5%. Having anticipated a more dovish stance, the bond markets sold off, driving up the yield on the benchmark 10-year bond to a near five-month high of 6.7%.

"The loss of momentum in Q1 of 2017-18 and the first advance estimates of kharif food grain production are early setbacks that impart a downside to the outlook," the RBI said in a statement.

The neutral stance was attributed to a possible rise in inflation from its current level to 4.2-4.6% in the second half of FY18. The central bank said the monetary policy committee (MPC) had taken note of a 2-percentage point rise in CPI inflation since its last meeting in August. RBI governor Urjit Patel cautioned against an expansion of

the fisc, pointing out the combined deficit was at around 6%. "Our national fiscal stance can hardly be described as tight," Patel said.

The RBI said that although the domestic food price outlook remained largely stable, momentum was building in prices of items excluding food, especially emanating from crude oil. "The MPC also acknowledged the likelihood of the output gap widening, but requires more data to better ascertain the transient versus sustained headwinds in the recent growth prints," the central bank noted.

Patel told reporters that a faster-than-expected rise in input costs and lack of pricing power may put pressure on corporate margins, thereby affecting value added by industry. "We expressed concern about a loss of momentum of growth in Q1 2017-18, especially the persisting weakness in manufacturing," Patel added.

The central bank added the implementation of the goods and services tax so far also appears to have had an adverse impact, rendering prospects for the manufacturing sector uncertain in the short term. "This may further delay the revival of investment activity, which is already hampered by stressed balance sheets of banks and corporates," the statement explained.

DK Joshi, chief economist at Crisil, said that going ahead, if the risks to growth rise, and inflation undershoots the MPC's forecast, then there is a possibility of a rate cut. "The second-quarter GDP data will be a key deciding factor," Joshi said.

The RBI also said that an internal study group has observed that internal benchmarks such as the base rate/marginal cost of funds based lending rate (MCLR) have not delivered effective transmission of monetary policy. The study group has pointed out that apart from arbitrariness in calculating the base rate/MCLR and spreads charged over them, the base rate/MCLR regime was also not in sync with global practices on pricing of loans. It has, therefore, recommended a switchover to an external benchmark in a time-bound manner.

While the MCLR regime was introduced in April 2016 for better transmission of policy rates into bank lending rates, a large section of borrowers — existing borrowers — have been left untouched. The new regime was introduced only on fresh loans and existing borrowers have to pay a fee to move their loans from base rate to MCLR. It is estimated that around half of the total bank loans are yet to migrate to the MCLR system.

However, banks argue that they have passed on more in the form of lending rate cuts than the RBI's policy rate cut. For instance, the central bank has lowered the repo rate by 200 bps since January 2015 and public sector lender State Bank of India (SBI) has cut its lowest lending rate by 200 bps to 8% (one-year MCLR as of October 2017) from 10% (base rate as of January 2015).

SBI chairman Arundhati Bhattacharya had told FE after the August monetary policy, "I don't think there is much scope for reducing lending rates much further. At SBI we are low enough and have already dropped rates by 175-200 bps."

Economic Times

4. Growth forecast revision is wake-up call, says Karnataka Bank CEO

ET Bureau

Karnataka Bank MD & CEO M.S. Mahabaleshwara on Wednesday said the RBI cutting the statutory liquidity ratio (SLR) by 50 basis points will ease the liquidity in the banking system.

He, however, said the revision of the GVA (gross value added) growth forecast to 6.7% from 7.3% is a wake-up call for all growth managers. "Evolvement of the public credit registry and legal entity identifier is right step in ensuring more credit discipline and hence credit positive in the long run," he said in a statement.

Business Line

5. New FPI norms from April: RBI

PTI

The Reserve Bank today said it will review the foreign portfolio investment norms and come out with a new set of regulations, to be effective next April.

The new norms will facilitate the process of investment and hedging by Foreign Portfolio Investors (FPIs), keeping in view the macro—prudential parameters, said the statement on developmental and regulatory policies by the Reserve Bank of India (RBI).

"Regulatory changes to be finalised in consultation with the Government of India and the Securities Exchange Board of India (SEBI) will be effective from April 2018," it said.

Noting that the regulatory regime for FPI debt investments in India is a part of the larger framework for capital account management, it said this framework has evolved over the years, influenced by capital flows and evolving macroeconomic conditions.

RBI also decided to broaden non—resident centralised treasuries of multinational companies to hedge the rupee (INR) risk on current account transactions of their Indian subsidiaries.

"This is expected to facilitate internationalisation of the rupee by encouraging rupee invoicing of trade transactions while also encouraging non—residents to hedge INR risks onshore," it said.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY