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Dear Comrades,

27th September , 2017

News of Interest 27th SEP

MOTIVATIONAL QUOTES

“WITH THE NEW DAY COMES NEW STRENGTH AND NEW THOUGHTS. “
ELEANOR ROOSEVELT

HIGHLIGHTS

- 1. SCOPE FOR RATE CUT BY RBI REMAINS, LESS POSSIBILITY OF FISCAL STIMULUS: ADB**
- 2. IDBI BANK HIRES BCG TO ADVISE ON TURNAROUND PLAN**
- 3. ALLAHABAD BANK TO INTRODUCE 2-TIER SAVINGS BANK INTEREST RATE FROM OCTOBER 1**
- 4. EMPOWERING POSTMEN TO BECOME DOOR-STEP BANKERS**
- 5. REDUCING INDENTS FOR CLERICAL RECRUITMENT IN PSBS WORRISOME, SAY UNIONS**

Business Standard

1. Scope for rate cut by RBI remains, less possibility of fiscal stimulus: ADB

FM Jaitley recently said the govt would come out with additional measures to boost economic activities

Press Trust of India

Asian Development Bank (ADB) expects the RBI to go for another round of rate cut in the latter part of 2017-18 in view of sluggish economic activities but does not see the possibility of any major fiscal stimulus.

The Monetary Policy Committee of the Reserve Bank reduced the key interest rate (repo) by 25 basis points to 6 per cent in August. The committee is scheduled to come out with next bi-monthly monetary policy decision on October 4.

"With inflation within the central bank target range of 26 per cent and economic activity weakening in January-June 2017, the latter part of the fiscal year offers some scope for additional monetary easing," ADB said in a report.

In its 'Asian Development Outlook 2017 Update', the Manila-based multilateral lending agency had reduced India's GDP growth forecast for the current fiscal to 7 per cent from 7.4 per cent owing to weakness in private consumption, manufacturing output and business investment.

As per the latest data released by the Indian government, the country's growth fell to a 3-year low of 5.7 per cent in the April-June quarter of 2017-18.

Finance Minister Arun Jaitley recently said the government would come out with additional measures to boost economic activities, thus raising expectations of a fiscal stimulus package.

However, ADB said fiscal stimulus "is less likely with the government having exhausted 92.4 per cent of the full fiscal year deficit to cover slippage in non-tax revenue due to slow progress in achieving disinvestment targets".

"Meanwhile, the scope for cutting back expenditure is limited," the report.

As per the updated report, India's inflation is expected to average 4 per cent in 2017-18, significantly lower than the the April forecast.

Higher global food and fuel prices and improved aggregate demand are likely to push inflation to 4.6 per cent in 2018-19, though still below the earlier forecast, it said.

The ADB report further said as government efforts to resolve banks' NPAs yield results and corporations continue to deleverage, "credit flow to industry and services is expected to increase".

The expected uptick in consumption augurs well for capacity utilisation and should attract fresh investment, it said.

2. IDBI Bank hires BCG to advise on turnaround plan

The bank expects to identify and address existing gaps, capitalise on core strengths and improve products and processes with BCG's help

Abhijit Lele

Public sector lender IDBI Bank has hired the Boston Consulting Group (BCG) to accelerate a turnaround programme and improve its financial performance.

M K Jain, the bank's managing director, said: "BCG will assist us to identify areas for cost containment and revenue maximisation." IDBI has had mounting losses and due to the size of its non-performing loans, is under the Reserve Bank of India's Prompt Corrective Action plan.

The bank expects to identify and address existing gaps, capitalise on core strengths and improve products and processes with BCG's help, it said on Tuesday. The focus will be on four areas - revenue enhancement, cost control and reduction, asset productivity and overall programme management.

BCG had advised IDBI in 2001, when the latter was a development finance institution, on transiting to become a universal bank.

IDBI has also decided, said an executive, to appoint a human resource advisor and information technology experts, to improve its systems.

It has tepid revenue growth at a time when the amounts set aside to cover for bad loans are escalating. It is also struggling in meeting the capital adequacy norms. The net loss was Rs 853 crore for the quarter ended this June, on a sharp rise in provisioning for bad loans and a fall in net interest and other income. Gross non-performing assets rose to Rs 50,173 crore (24.1% of the total), from Rs 27,275 crore (11.9%) a year before and Rs 44,752 crore (21.25%) at the end of March this year.

IDBI postpones stake sale in CCIL

IDBI Bank has postponed the sale of its remaining 2.5% stake in Clearing Corporation of India (CCIL), in the hope of getting better valuation. While the bank had sought an Expression of Interest for the stake till September 25, it has now extended this date till October 13.

It has already sold 5% stake in CCIL and a sizeable stake in Small Industries Development Bank of India, or Sidbi. However, it hasn't disclosed the amount it has raised in these transactions or to which entity bought the stake.

CCIL was set up in 2001 to provide guaranteed clearing and settlement functions for transactions in the money, government securities, foreign exchange and derivatives markets.

3. Allahabad Bank to introduce 2-tier savings bank interest rate from October 1

Close on the heels of some public and private sector banks slashing their interest rates on savings bank accounts, Allahabad Bank is going to introduce 2-tier savings bank interest rate with effect from October 1 this year

By: [FE Online](#)

Close on the heels of some public and private sector banks slashing their interest rates on savings bank accounts, Allahabad Bank is going to introduce 2-tier savings bank interest rate with effect from October 1 this year. For balance less than Rs 40 lakh, interest rate has been set at 3.5% per annum, while for balances of Rs 40 lakh and above, interest rate remains unchanged at 4% per annum, CNBC-TV18 reported today.

It may be recalled that a host of banks, including SBI and Bank of Baroda, had recently slashed their interest rates on savings bank accounts. For instance, State Bank of India, India's largest commercial bank, had on July 31 slashed interest rate on savings account deposits by 50 basis points to 3.5% on balance of Rs 1 crore and below. However, it continues to offer 4% interest on savings account balance of Rs 1 crore and above. "The decline in the rate of inflation and high real interest rates are the primary considerations for warranting a revision in the rate of interest of savings bank deposits," it had said.

That was followed by Bank of Baroda slashing its interest rate on savings bank accounts by 50 bps to 3.5% on deposits of up to Rs 50 lakh. "We wish to inform you that it has been decided to introduce a 2-tier savings bank interest rate (from) August 5...," the bank had said in a regulatory filing. It had reduced the interest rate on savings bank balance of up to Rs 50 lakh to 3.5 per cent from the earlier 4 per cent. However, for balance above of Rs 50 lakh, the bank had retained the rate at 4 per cent.

Business Line

4. Empowering postmen to become door-step bankers

PRIYANKA PANI

In a bid to empower about three lakh postmen in the country, India Post, which also has the licence to run a payments bank in the country, will be educating and training them to act as banking correspondents.

The postmen, with Smartphone-cum-biometric reader, printer and card reader, will go door-to-door to educate people about cashless transactions. This move by India Post, a government entity, also resonates with the Modi government's initiative to make India a less-cash economy.

Ashok Pal Singh, CEO of India Post Payments Bank, told *Business Line* the government is trying to encourage people to do more and more cash-less transactions in the country and India Post's initiative to employ postmen will not only help the people in smaller towns transact from the comfort of their homes with a click, but would also help the humble postmen stay relevant in this dynamic world and contribute to the fintech revolution.

"We have around three lakh postmen in the country and they will be carrying a micro-ATM sort of device, with the help of which our customers will be able to transact digitally at their door-steps," Singh said, adding that the India Post Payments Bank will soon be launching a mobile app for the same.

With the help of the device, customers will be able to not only deposit their money in their accounts but also pay all kinds of utility bills, book tickets for train and buses, book gas cylinders, pay for services at public hospitals, fees at government schools and buy financial products such as mutual funds, insurance and ETFs, among others.

According to experts, the initiative will not only empower people in smaller towns and villages who have to travel long distances to a physical branch but will also result in financial inclusion faster than expected.

"We have noticed that people go to banks either to deposit or withdraw money. So, getting customers to transact remains a big challenge. With payments banks and our initiative, we expect interaction with banks to go up. This will also help the entire ecosystem," Singh said, adding that the whole of India generates about 10 crore bills every month and of that only 10 per cent is done digitally.

Pilot project

India Post Payments Bank, which is currently undertaking a pilot project in Chhattisgarh and Jharkhand, plans to start training its postmen by January before it goes for a pan-India launch in March next. India Post has about 30 crore customers of which 18 crore are active users and would get the benefit of door-step banking immediately.

Nation-wide campaign

With 1.55 lakh post offices, India Post will thus become the largest payments bank in the country in terms of reach. Other players are Airtel, Pay tm, Reliance and Fino. However, Singh said that it would not be using the ₹800 crore granted by the government to give discounts to customers but would rather use that to help the entire ecosystem grow. India Post will soon launch a nationwide campaign and has appointed Prachaar as its advertisement agency.

Singh further said the bank would be profitable in the fourth year of operations.

5. Reducing indents for clerical recruitment in PSBs worrisome, say unions

VINSON KURIAN

There is growing concern that public sector banks are 'progressively reducing indents' for recruitment year after year.

The headcount number is sought to be reduced even as banks find it difficult to serve customers thanks to an expanding bouquet of services and schemes, according to the unions.

REDUCING INDENTS

This is unacceptable, said C.H. Venkatachalam, General Secretary, All India Bank Employees' Association, in a letter to peer unions in the industry.

The reducing indents would result in short supply of clerical staff, even for filling up vacancies arising on account of retirements and promotion, leave alone extra staff required as part of business expansion.

Venkatachalam said that there appeared to be a design in the reduced intake of clerical staff, in particular. He requested peer unions to take up this matter seriously with the respective banks.

He cited statistics to drive home the point that available manpower in banks has failed increasingly to sync with the increased business volumes during the past three years.

'WORRISOME TREND'

At the end of 2013-14, the banks had deposits worth Rs. 65.9 lakh crore, Rs. 51 lakh crore in advances and Rs. 116 lakh crore in total business. The number of workmen in public sector banks was 4.99 lakh.

In the next year (2014-15), the deposits had grown to Rs. 71.95 lakh crore, advances to Rs. 54.76 lakh crore and total business to Rs. 126 lakh crore. But the number of workmen had reduced to 4.84 lakh.

The number of workmen employed reduced further to 4.79 lakh in 2015-16 even as deposits grew to Rs. 74. 86 lakh crore, advances to Rs. 55.94 lakh crore and total business of public sector banks rose to Rs. 130 lakh crore.

This is a worrisome trend, and had to be reversed even if it warranted industrial level strike action, Venkatachalam told fellow unions.

STATISTICS SPEAK

According to statistics put out by the Institute of Banking Personnel Selection (IBPS), the reduced level for recruitment is evident in the indents for 2017-18 and proposed for 2018-19.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**