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Dear Comrades,

18th April, 2018

News of Interest 18th APR

Motivational Quotes

'When you practice gratefulness, there is a sense of respect toward others.'

Dalai Lama

HIGHLIGHTS

- 1. ATMs running dry in many states: Govt, RBI step in to get cash flowing**
- 2. Govt to launch India Post Payments bank soon, seeks RBI approval**
- 3. NPA in India: PSBs failing to recover bad loans, UCO Bank tops chart; check full list**
- 4. Reserve Bank of India ramps up printing of currency notes**
- 5. Bank scams: Par Panel to quiz RBI Governor on May 17**

Business Standard

- 1. ATMs running dry in many states: Govt, RBI step in to get cash flowing**

PMO takes stock of situation; printing of Rs 500 notes to be increased five-fold; central bank to move currency to affected areas

Somesh Jha & Arup Roychoudhury

The government and the Reserve Bank of India (RBI) have swung into action to address currency shortages in half a dozen states, caused by an increased demand due to ongoing crop procurement and the marriage season, besides non-functioning automated teller machines (ATMs). The Prime Minister's Office (PMO) on Tuesday held a meeting with Economic Affairs Secretary Subhash Chandra Garg and Financial Services Secretary

Rajiv Kumar to take stock of the situation. Finance Minister Arun Jaitley described the cash crunch as “temporary” due to “unusual” demand in various parts of the country and said there was adequate supply of cash in the economy. Opposition leaders attacked the government, saying the “terror of note ban” had gripped the country and dubbed the situation as a “financial emergency”. The RBI said there was no shortage of cash, and that logistical issues and a seasonal spurt in demand for cash were responsible for ATMs drying up in parts of the country. To meet the demand, the central bank has ramped up the printing of Rs 500 notes. “The shortage may be felt in some pockets largely due to logistical issues of replenishing ATMs frequently and the recalibration of ATMs being still underway. The RBI is closely monitoring both these aspects,” the central bank said, adding it was “also taking steps to move currency to areas that are witnessing unusually large cash withdrawals.” Top government officials cited several factors for the sudden spurt in demand for cash, including agricultural and marriage seasons and fear among citizens in some states due to the Financial Resolution and Deposit Insurance (FRDI) Bill, which has proposed a ‘bail-in’ clause to bail out stressed banks.

The uneven supply of currency notes by the RBI across states and hoarding of Rs 2,000 currency notes by citizens also contributed to the cash shortage. Business Standard had first reported on Friday that in the states of Andhra Pradesh, Bihar, Karnataka, Maharashtra, Rajasthan, Uttar Pradesh, Madhya Pradesh and Telangana, the rate of cash withdrawal was much more than the deposits, leading to a cash crunch, according to an analysis submitted by the RBI to the finance ministry recently. Senior bankers said it was a cash management issue and not actual dearth of currency. “Yes, this is a temporary situation, which is mainly due to geographical factors. There is one solution for it that a proper cash management system be maintained,” Rajnish Kumar, chairman, SBI, told a news agency.

Why ATMs are running dry in many states

Reasons for high withdrawal

- Season of crop procurement
- Festive and marriage season
- Fears related to the FRDI Bill
- Assembly polls in Karnataka

Reasons for non-availability

- Hoarding of Rs 2,000 notes
- Non-functioning ATMs
- Issues related to cash logistics companies
- **Andhra Pradesh, Telangana, Karnataka, Madhya Pradesh and Bihar:** States that have witnessed cash shortage in ATMs
- **Rs 200 billion:** Currency supplied every month on average, but it increased to Rs 450 billion during April 1-13 due to high demand
- **102%:** Cash in circulation of pre-demonetisation level, but not in sync with the level of GDP growth

“There has been an unusual spurt in currency demand in the country in the last three months. In the current month, in the first 13 days itself, the currency supply increased by Rs 450 billion. This unusual spurt in demand is seen more in some parts of the country like Andhra Pradesh, Telangana,

Karnataka, Madhya Pradesh and Bihar,” the Ministry of Finance said in a statement on Tuesday. To give some perspective, Garg said currency supply every month is around Rs 200 billion. In the first two weeks of April, the supply has more than doubled to Rs 450 billion, indicating the demand for cash has shot up. Kumar said the situation would be normalised in five to seven days, adding the supply of Rs 500 notes would be ramped up significantly.”Have reviewed the currency situation in the country. Overall, there is more than adequate currency in circulation and also available with the banks.

The temporary shortage caused by ‘sudden and unusual increase’ in some areas is being tackled quickly,” Finance Minister Arun Jaitley said on Twitter.

The currency in circulation is now 102 per cent of what it was before the government had announced demonetisation of high-value currency notes of Rs 500 and Rs 1,000 in November 2016. The notes in circulation on November 4, 2016 were Rs 17.74 trillion, as against Rs 18.04 trillion now. However, the cash in circulation-to-GDP ratio before demonetisation stood at 11.6 per cent, which has now declined to 10.7 per cent. Generally, the notes in circulation grow 11-13 per cent every year. This has not happened this time and that has resulted in unmet demand for cash.

The currency chests of the RBI have cash worth Rs 1.75 billion, which will aggressively be moved to ATMs in the coming days. Garg said the RBI had stopped the printing of Rs 2,000 notes in the last few days as it had adequate stock of these notes (worth Rs 6.7 trillion). The government suspects that one possible reason for the cash crunch could be hoarding of Rs 2,000 notes. “Of late, we have noticed that as against the circulation, the inflow of Rs 2,000 notes back in the banking system is less. We will investigate this, but you can assume that this high-value currency note is the most suitable one to hoard,” Garg said. A source in the know of RBI working said the central bank had stopped or slowed down the printing of Rs 2,000 notes. Instead, the central bank wanted to increase lower denomination notes, and that had created the present crisis as the replacement was not easy, the source added. An RBI official said usually there was the cash shortage problem at the start of the financial year due to festivals such as Bihu, Vishu, Sankranti, Bengali New Year etc, which pushed up localised demand for cash. “The RBI is working with banks to sort out logistical issues. Banks have been asked to work with their cash management companies to supply adequate cash in affected areas,” said the official. Senior public sector bank executives said the Indian Banks’ Association (IBA), a lobby group of bankers, had written to the RBI about the cash crunch being faced by branches in some parts of the country. A senior banker said cash hoarding might have been happening in parts of Karnataka due to the upcoming Assembly elections.

2. Govt to launch India Post Payments bank soon, seeks RBI approval

The IPPB, which is currently running pilot services in Raipur and Ranchi, needs a go-ahead from RBI for the software used for system integration

Kiran Rathee

The government will soon launch the India Post Payments bank (IPPB). Most of the work has been done and only approval from the Reserve Bank of India (RBI) is awaited regarding the software used for integration of various services.

The IPPB, which is currently running pilot services in Raipur and Ranchi, needs a go-ahead from RBI for the software used for system integration. The bank had earlier used the software from Punjab National Bank for the pilot services but it has now developed its own software and a presentation needs to be given to RBI for the new software.

“For the two pilots, software was taken from PNB and a presentation was also given to RBI regarding that. Now the new software will also need to undergo the testing for RBI’s approval,” said an official. Tech giant HP was awarded the contract last year to be a system integrator for the IPPB. The company has built the software for integrating various functions of the bank and RBI approval is necessary before the launch of commercial operations.

Communications Minister Manoj Sinha on Tuesday said the IPPB will be launched soon though he did not share a specific date. India has 154,000 post offices, of which 139,000 are rural post offices.

The IPPB has already missed the September 2017 deadline to open 650 branches across the country, primarily because it failed to get a system integrator (SI) on board on time, upsetting its payments bank schedule.

Sinha had recently said that these 650 branches would serve as controlling offices to service and monitor all the approximately 1.54 lakh post offices that will act as last mile access points for the public.

The Ministers had also said IPPB was anticipated to acquire approximately 80 million customers in a span of five years from its launch. However, this figure was subject to market forces in the area of digital payments in the country over the next few years.

IPPB had launched a pilot service in Raipur and Ranchi in January last year. The Department of Posts was one of the 11 entities to get in-principle nod from the Reserve Bank of India (RBI) in 2015 for payments bank.

Suresh Sethi had been appointed as the bank’s managing director and chief executive officer. An account holder in payments bank can deposit upto Rs 1 lakh, withdraw cash from authorised centres and make payments as done in case of normal saving bank accounts.

IPPB has been incorporated as a public limited company under the Department of Posts with 100 per cent government equity.

Financial Express

3. NPA in India: PSBs failing to recover bad loans, UCO Bank tops chart; check full list

In a major headache for Public Sector Banks (PSBs) in the country, the recovery rate of non performing assets (NPAs), which were written off, has been declining. It has been learnt that 90 per cent of bad loans could not be recovered during 2014-15 to 2017-18

By: [FE Online](#)

NPA in India: In a major headache for Public Sector Banks (PSBs) in the country, the recovery rate of non performing assets (NPAs), which were written off, has been declining. It has been learnt that 90 per cent of bad

loans could not be recovered during 2014-15 to 2017-18, according to the Reserve Bank of India report quoted by The Indian Express. The worst performer is the UCO Bank, which had written off Rs 6,087 crore in the last four fiscals, failed to recover a single rupee.

Other state-owned banks like Indian Overseas Bank had written off Rs 10,470 crore of NPAs and managed to recover Rs 10 crore. Allahabad Bank has so far recovered just Rs 257 crore out of a total of Rs 9,533 crore of bad loans. The IDBI Bank has recovered a meagre Rs 479 crore out of a total of Rs 16,568 crore worth of NPAs written-off. The central government is planning to privatise the IDBI bank.

Punjab National Bank, which is in the news over diamond czar Nirav Modi case, had written off Rs 27,814 crore but managed recover Rs 6,270 crore with a relatively better percentage of 22.54. State Bank of India had written off Rs 1,02, 587 crore of bad loans. It had recovered Rs 10, 396 crore.

The report shows that in the last four fiscal years — 2014-15, 2015-16, 2016-17 and 2017-18 till December 31 — all 21 public sector banks in aggregate could recover only Rs 29,343 crore out of Rs 2.72 lakh crore of bad loans that were written off by the PSBs, a recovery rate of 10.77 per cent. The growing NPAs and increasing amount of write-offs generally put pressure on the exchequer to keep infusing capital in the banks to keep them afloat. Earlier in January, the central government had infused the lion's share of capital of Rs 52,311 crore to 11 weak banks to maintain their minimum regulatory capital requirement. At the same time the Centre had given Rs 35,828 crore to nine strong banks were given.

Economic Times

4. Reserve Bank of India ramps up printing of currency notes

PTI

The Reserve Bank today said there is no shortage of currency in the system even though it has ramped up printing of notes at its four presses.

The RBI, however, said there may be shortages in "some pockets" largely due to logistical reason.

"It is clarified at the outset that there is sufficient cash in the RBI vaults and currency chests. Nevertheless, printing of the notes has been ramped up in all the four note presses," it said in a statement.

The statement has come amid reports that several states, including Andhra Pradesh, Karnataka, Uttar Pradesh, Madhya Pradesh and Bihar.

The RBI said shortage "may be felt" in some pockets largely due to logistical issues of replenishing ATMs frequently and the recalibration of ATMs being still underway.

"RBI is closely monitoring both these aspects," the central bank said.

Further, as a matter of abundant precaution, RBI said it is also taking steps to move currency to areas that are witnessing unusually large cash withdrawals.

Earlier in the day, Finance Minister Arun Jaitley had assured people that there was no shortage of currency as adequate stocks were available.

The Economic Affairs Secretary in New Delhi said printing of the 500 currency note is being increased by five times from Rs 500 crore a day to Rs 2,500 crore a day.

Business Line

5. Bank scams: Par Panel to quiz RBI Governor on May 17

PTI

Finance Ministry officials appeared before a standing committee to answer queries on banking scams

A parliamentary panel has called Reserve Bank Governor Urjit Patel on May 17 to answer queries on a spate of banking scams unearthed in the last few months, sources said. The Standing Committee on Finance, headed by veteran Congress leader M Veerappa Moily, today raised several queries related to the banking sector with Financial Services Secretary Rajiv Kumar.

"We have invited the RBI Governor on May 17. We will be asking him about the scams and other banking regulations," said a source. Former Prime Minister Manmohan Singh, who is member of the Committee, attended the meeting.

Patel had recently said that the RBI doesn't have adequate powers to deal with public sector banks. "We would like to know what kind of powers the RBI Governor needs," another source said, adding that regulation is an important part and that is why the Governor has been called.

The panel, sources said, discussed a spate of banking scams, both in public and private sector banks. When asked if PNB and ICICI Bank issues figured during the meeting, the source said issues related with "all commercial banks, including ICICI Bank" were discussed.

The finance ministry officials gave part replies to queries of the lawmakers and they have been given three weeks time to file a complete report on questions.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**