



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)

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Dear Comrades,

4th August , 2018

News of Interest 4th AUG

MOTIVATIONAL QUOTES

‘WITH THE NEW DAY COMES NEW STRENGTH AND NEW THOUGHTS. ‘

ELEANOR ROOSEVELT

HIGHLIGHTS

1. RBI RATE HIKES LIKELY TO CAUSE BUMP IN SMALL SAVINGS INTEREST RATES
2. BANK OF MAHARASHTRA Q1 LOSS TREBLES TO RS 11.19 BILLION AS BAD LOANS SPIKE
3. FOLLOWING RBI DIRECTIVE: UDAY KOTAK TRIMS STAKE IN KMB TO BELOW 20%
4. FORGET CASH OR CARD, SOON YOUR THUMB WOULD BE ENOUGH TO PAY AT PETROL PUMPS
5. RISING BAD DEBTS: PSBS ADD 1,186 MORE TO WILFUL DEFAULTERS' LIST IN 27 MONTHS

Business Standard

1. RBI rate hikes likely to cause bump in small savings interest rates

Since 2016, the interest rates of the 12 small savings schemes have been reviewed quarterly

Arup Roychoudhury

Interest rates for small savings schemes are set to rise when they come up for review during the October-December period. Government officials and analysts say this will be due to consecutive policy rate hikes by the Reserve Bank of India and the rise in ten-year benchmark government bond yields resulting from that.

Since 2016, the interest rates of the 12 small savings schemes have been reviewed quarterly. They were unchanged for the April-June and the

ongoing July-September quarter, after being tweaked for the January-March 2018 quarter.

"When the rates come up for review during the October-December quarter, the repo rate increases by RBI, and the benchmark bond-yields will definitely be taken into consideration. But there will be no tweaks to the rates in the middle of the ongoing quarter," said a senior Finance Ministry official.

Rates on small savings schemes are decided upon on the basis of a formula. "It depends on how the G-sec rates have moved. There were no changes to the small savings rates for two quarters. The g-sec rates have gone up meanwhile. That means there has to be an increase in the small savings rates," said Madan Sabnavis, Chief Economist at Care Ratings.

The Finance Ministry uses a different formula to determine the rate of each small savings scheme. For example, to calculate the interest rate of public provident fund, the preceding quarter's average of the 10 year g-sec is taken, and a 25 basis points spread is added onto it. The five year senior citizen scheme takes the average of the benchmark bond yield for the preceding quarter and adds 100 basis points onto it.

According to Bloomberg data, the India Government Bond Generic 10 Year Yield has gone from 7.13 per cent in early April to 7.76 per cent as on Friday evening.

2. Bank of Maharashtra Q1 loss trebles to Rs 11.19 billion as bad loans spike

Provisioning for NPAs also increased to Rs 15.1 billion from Rs 11.57 billion in the year-ago period

Press Trust of India

Bank of Maharashtra's June quarter net loss nearly trebled to Rs 11.19 billion as bad loans spiked, resulting into higher provisioning coverage.

The bank had reported a net loss of Rs 4.122 billion in the April-June period of 2017-18.

Total income during the reported quarter fell to Rs 29.871 billion as against Rs 32.0984 billion in the year-ago period, the bank said in a BSE filing.

The interest income was down 4 per cent to Rs 26.4055 billion from Rs 27.4489 billion in the year-ago period.

The bank's gross non-performing assets (NPAs) worsened to 21.18 per cent of the gross advances by June-end 2018 against 18.59 per cent by June last year.

In value terms, gross bad loans or NPAs were at Rs 178 billion by the end of the quarter as compared to Rs 180.49 billion by June 2017.

Net NPAs however fell to 12.20 per cent of net advances (Rs 91.95 billion) from 12.48 per cent (Rs 112.59 billion) in year-ago June quarter.

Provisioning for NPAs also increased to Rs 15.1 billion from Rs 11.57 billion in the year-ago period.

Overall provisions and contingencies were Rs 16.32 billion in the June quarter as against Rs 11.51 billion in the year-ago period.

The return on assets further fell to (-) Rs 2.83 for the quarter from (-) Rs 1.03 a year ago.

Total assets of the bank were down at Rs 1510.45 billion as on June 30, 2018 from Rs 1537.39 billion.

Financial Express

3. Following RBI directive: Uday Kotak trims stake in KMB to below 20%

Kotak Mahindra Bank says it approved the allocation of 100 crore of perpetual preference shares to eligible investors

By: FE Bureau | Mumbai

Kotak Mahindra Bank's move to cut promoter shareholding to below 20% by issuing Rs 500 crore of perpetual preference shares is seen to be positive for the bank, analysts said.

Late on Thursday, Kotak Mahindra Bank said it approved the allocation of 100 crore of perpetual preference shares to eligible investors. After the issue, the paid-up capital of the bank increased to Rs 1,453.16 crore from Rs 935 crore, and the promoter shareholding holding fell to 19.7% of the paid-up capital of the bank from around 30% earlier, the bank said in a notice to the stock exchanges.

Banking sector analysts said the issuance of the preference shares will remove any major equity dilution overhang on the stock in the near-term.

"We perceive this as an innovative structure, with no voting rights attached, of shareholding dilution sans financial implications," said an analyst who did not want to be quoted.

The move to reduce the promoter shareholding is in line with the Reserve Bank of India's directive asking the promoters, led by billionaire Uday Kotak, to bring down their stake in the bank to 20% by December 2018 and to 15% by March 2020.

The preference shares have been issued through private placement. The promoters' position in terms of voting rights will remain unchanged even after the issuance of the preference shares because banking laws cap voting rights at 15%, irrespective of shareholding.

Jaimin Bhatt, president and group chief financial officer at Kotak Mahindra Bank, said the bank will be required to pay dividend on these shares only if the bank makes a profit. "This is non-cumulative preference share. So, if there is no profit, there is no dividend," Bhatt told a television news channel.

Economic Times

4. Forget cash or card, soon your thumb would be enough to pay at petrol pumps

ET Online

Soon, you won't have to carry any cash, card or mobile phone to pay for fuel at petrol pumps. Your thumb would be enough for payment at the petrol pump. According to a Dainik Jagran report, Indian Oil Corporation (IOCLNSE -0.09 %) has tied up with Oxigen Micro Agency and IDFC bank to roll out the facility at its fuel stations.

Under Digital India programme, IOCL has already installed two Micro ATM machines in Bhopal and plans to expand the facility to other places across the country in the next couple of months.

How the payment is done:

Oxigen Micro ATM machine is a point of sale machine that allows the owner to accept the payments from several modes other than cash. The machine allows payment made through credit card, debit card, UPI, BHIM Aadhaar pay Bharat QR code and UPI.

Besides, IOCL is also planning to import self-service petrol pump machine ins India. Soon, Bhopal will have the self-service fuel pump which the motorist can use to fill the vehicle tank after making payment through card.

Business Line

5. Rising bad debts: PSBs add 1,186 more to wilful defaulters' list in 27 months

SHISHIR SINHA

Default amount rises to ₹1.28 lakh crore as on June 30

Public sector banks have declared more than 1,100 debtors as 'wilful defaulters' during March 2016 to June 2018. In value terms, this is a 67 per cent increase during the period.

RBI's circular defines a loan taker as a wilful defaulter on four grounds — default even if there is capacity to repay, default even if there is capacity to repay but diverted the fund, default even if there is capacity to repay and siphoned off the money, or default even if there is capacity to repay and also disposed off guarantees without the knowledge of the bank / lender.

All banks report about wilful defaulters to credit information companies so that the identified ones cannot take loan from other lenders.

According to the latest figures presented in Parliament, the number of wilful defaulters for 21 PSBs has increased to 9,501 on June 30, 2018, from 8,315 on March 31, 2016. It means an addition of 1,186 wilful defaulters in 27 months which also saw total amount involved go up to ₹1.28 lakh crore as on June 30, from ₹76,730 crore on March 31, 2016.

A more closer look of data show that 170 loan accounts were added to the list of wilful defaulter during first three months (April-June) of the current fiscal and amount involved increased by over ₹6,000 crore.

Stringent norms

Sources in the banking industry said that more and more stringent norms for asset quality review have helped in identifying the wilful defaulters. "Most of the cases are related to pre-2014 loans which were being serviced on one ground or other ground despite evidences of intentional non-payment or diversion and even money getting siphoned off," a senior bank official said while adding that now things have changed and that is why the numbers have gone up.

Another banker hoped that with increasing number of legal suits, stronger focus of recovery drive, strict control over new fund dispersal and passage of the Fugitive Economic Offender Bill will help in bringing down number of wilful defaulters.

To deter wilful defaulters, as per RBI's instructions, they are not sanctioned any additional facilities by banks or financial institutions, their unit is debarred from floating new ventures for five years, and lenders may initiate criminal proceedings against them, wherever necessary. As reported by PSBs, as on June 30, 2,348 FIRs have been registered against wilful defaulters, 8,994 suits have been filed for recovery from them, and action has been initiated under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) in respect of 7,471 cases.

According to data reported by PSBs, over the last three financial years, and the first quarter of the current financial year, an amount of ₹1.61 lakh crore has been recovered through the recovery mechanism.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY

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