



**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](mailto:aiubparf@gmail.com)/ [ubioatnng@gmail.com](mailto:ubioatnng@gmail.com)/ [suryanarayananram@gmail.com](mailto:suryanarayananram@gmail.com)

<b>Com. P.B. Thomas</b> Chairman Thiruvananthapuram M: 09447177456	<b>Com. Nitin Desai</b> President Ahmedabad M: 097277 60641	<b>Com. S. Bagchi</b> Working President Kolkata M: 0983081586	<b>Com. N. Govindarajulu</b> General Secretary Chennai M: 09841089111
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Dear Comrades,

30 th August , 2018

### News of Interest 30th AUG

#### MOTIVATIONAL QUOTES

‘LEADERSHIP IS PRACTICED NOT SO MUCH IN WORDS AS IN ATTITUDE AND IN ACTIONS. ‘

HAROLD S. GENEEN

#### HIGHLIGHTS

1. RBI ANNUAL REPORT: NEARLY ALL JUNKED NOTES RETURNED
2. FRAUDS AT PSBS MORE THAN THOSE AT PRIVATE BANKS
3. SASHIDHAR JAGDISHAN LIKELY TO BE EXECUTIVE DIRECTOR OF HDFC BANK
4. DISCLOSE ACTION TAKEN AGAINST WILFUL DEFAULTERS OVER RS 50 CR LOANS: CIC
5. LIC BOARD TO DECIDE MODALITIES FOR RAISING STAKE TO 51% IN IDBI BANK ON SEP

#### Financial Express

##### 1. RBI Annual Report: Nearly all junked notes returned

Junked Rs 500 and Rs 1,000 notes worth Rs 15.31 lakh crore, out of Rs 15.41 lakh crore in circulation as of November 8, 2016, when the government announced that these notes were no longer valid, found their way back to banks

By: FE Bureau

As much as 99.3% of the demonetised high-value notes returned to the banking system, the Reserve Bank of India's annual report for 2017-18 said on Wednesday, a long-awaited revelation that triggered a political slugfest over the efficacy or lack of it of the unprecedented move, which was aimed primarily at curbing the black money menace.

The banned currency notes are referred to as specified bank notes (SBNs).

Junked Rs 500 and Rs 1,000 notes worth Rs 15.31 lakh crore, out of Rs 15.41 lakh crore in circulation as of November 8, 2016, when the government announced that these notes were no longer valid, found their way back to banks. This means only Rs 10,720 crore of the banned notes did not come back into the banking system.

Speaking on the report, economic affairs secretary Subhash Chandra Garg, however, asserted that demonetisation substantially achieved its intended objectives, including curbing black money and terror financing, and promoting digital payments. The cash-to-GDP ratio is lower than the pre-demonetisation level. Had the government wanted to maintain the same cash-to-GDP ratio, some Rs 3 lakh crore additional cash would have had to be injected into the system, he added. Also, due to the introduction of several security features, the problem of counterfeit currency has been addressed to a considerable extent, Garg said. Shutting down of shell companies, expanding the tax base have also been cited by the BJP as the signs of demonetisation's success, but the opposition pointed out that of the cash that had remained out of the banking system and returned to it due to note ban, how much is black or white could not be known until each case was finally adjudicated.

Former finance minister P Chidambaram, however, said the note ban was an exercise in futility and that the economy lost 1.5 percentage points of growth, which will translate into a loss of Rs 2.25 lakh crore a year. The government, he recalled, claimed SBNs worth Rs3-4 lakh crore would not return and this windfall gain of the RBI would be transferred to it.

Stating that this has clearly been proven wrong, he added that the government has been shifting the goalpost while it was clear that the exercise hasn't met the originally declared objectives.

"It is time for the government to say mea culpa," he told a TV channel.

On an overall basis, the incidence of counterfeiting fell 31.4% year-on-year, with 5.23 lakh pieces of fake notes being detected in FY18, against 7.62 lakh in FY17. Counterfeit notes detected in the SBN category expectedly fell 59.7% and 59.6% in the denominations of Rs 500 and Rs 1,000, respectively, as these notes had gone out of use before the beginning of FY18.

"The processing of SBNs has since been completed at all centres of the Reserve Bank. The total specified bank notes (SBN) returned from circulation is Rs 15,310.73 billion," the RBI said in the report. Earlier, the central bank had said Rs 15.28 lakh crore worth of SBNs had been collected by the end of June 2017.

Interestingly, fake Rs 1,000 notes continued to be detected in FY18 even after the denomination was done away with altogether, with 1.04 lakh counterfeit pieces being detected.

The supply of bank notes dropped 14% year-on-year to 25 billion pieces in FY18, compared to over 29 billion in FY17. This becomes significant in the light of the cash crunch observed in parts of the country between February

and April this year. While the value of currency notes in circulation rose 37.7% between March 2017 and March 2018 to Rs 18.04 lakh crore, the volume of bank notes grew a mere 2.1% to 102.39 billion pieces over the same period.

“In value terms, the share of Rs 500 and Rs 2,000 banknotes, which had together accounted for 72.7% of the total value of banknotes in circulation at end-March 2017, increased to 80.2% as at end-March 2018,” the central bank said in its annual report. This means that in value terms, the share of the two highest denominations in total currency in circulation has fallen nearly 6 percentage points from 86% at the time of demonetisation.

Commenting on inflation, the central bank said there is upside risk to price pressure. Thanks to rising commodity prices, the economy has to contend with the drag on aggregate demand from net exports and cost-push risks to inflation at the same time. “In this context, it is worthwhile to note that India is not able to reap the healing effects of strengthening global trade by expanding exports commensurately,” it said. Headline inflation, which averaged 4.8% during Q1 of 2018-19, is projected at 4.6% in the second quarter; 4.8% in the second half of this fiscal; and 5% in Q1 of 2019-20, it said.

The central bank flagged elevated risks to macroeconomic stability. The current account deficit is widening as imports increasingly replace domestic production in several items, besides the elevation in international crude prices. In this context, aggregate demand pressures emanating from a deviation from the budgeted fiscal deficit of the general government may spill over into higher external imbalances, contributing to a ‘twin deficit’ challenge. Already, some analysts have forecast CAD worsening to 2.5-2.7% of GDP for 2018-19, against 1.9% a year earlier.

However, highlighting some positives, the RBI said economic growth will touch 7.4% in the current fiscal, against 6.7% a year earlier, with risks evenly balanced. Acceleration in growth is expected to consolidate in the second half of this fiscal.

Several initiatives set in motion to secure the soundness of the banking system are expected to reach critical mass during 2018-19. Also, infrastructure holds the key to unleashing the impulses of faster growth. In particular, the reasonable success achieved in the transportation space is worthy of emulation in other areas. During 2018-19, this aspect of the infrastructure mission is set to accelerate.

## **2. Frauds at PSBs more than those at private banks**

According to the annual report of the RBI for the financial year 2017-18, public sector banks (PSBs) accounted for 92.9% of the amount involved in frauds of more than Rs 1 lakh, while the private sector banks accounted for 6%

By: FE Bureau

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As regards cumulative amount involved in frauds till March 31, 2018, PSBs accounted for around 85%, while the private sector banks accounted for a little over 10%. At the system level, frauds in loans, by amount, accounted for more than 75% of frauds involving amounts of Rs 1 lakh and above while frauds in deposit accounts were at just over 3%.

There was also a sharp increase in the total number of fraud cases reported by banks. In the last 10 years, the total number of fraud cases was hovering around 4,500, but this year 5,835 cases were reported by the banks. The sharp increase in the amount involved in frauds during 2017-18 was on account of a large value fraud committed in the gems and jewellery sector, mainly affecting one public sector bank (PSB).

New private sector banks accounted for more than 20% of the frauds related to 'cash/cheques/clearing' and 'foreign exchange transactions'. New private sector and foreign banks accounted for 36% each of all cyber frauds reported in debit, credit and ATM cards, among others.

Out of the seven classifications of frauds in alignment with the Indian Penal Code, 'cheating and forgery' was the major component followed by 'misappropriation and criminal breach of trust'. One of the new initiatives in recent times in fraud mitigation was the introduction of a Central Fraud Registry (CFR), a web-based online searchable database of reported frauds, for the use of banks.

In order to curb the steep increase in fraud cases, the central bank has proposed to initiate network analysis for the financial conglomerate (FC) groups to assess the systemic risks posed by them.

The analysis would cover the major entities of an FC group in each financial market segment and intra-group exposures would also be considered. The findings would be shared with the regulators and significant trends and/or concerns would be discussed in the meetings of the Inter-Regulatory Forum (IRF).

## **Economic Times**

### **3. Sashidhar Jagdishan likely to be executive director of HDFC Bank**

By *Shilpy Sinha*

Sashidhar Jagdishan, chief financial officer of HDFC Bank NSE -0.78 %, is tipped to be elevated as executive director after deputy managing director Paresh Sukthankar steps down in November after an almost 25-year stint with the lender.

Jagdishan, who has been with the bank since 1996, is responsible for finance, business strategy, general & personnel, administration, investor relations and strategic initiatives. Kaizad Bharucha is the other executive director of the bank. . "Sashi is likely to be elevated to the role of executive director and appointed on the bank's board," said a person familiar with the development.

"He has been sounded off about the promotion and the bank is likely to announce it in a few weeks." A bank spokesperson said the lender does not comment on market rumours or speculation. Jagdishan holds a Bachelor of Science degree in physics from the University of Mumbai and a Masters in

economics of money, banking and finance from the University of Sheffield, UK.

He is also a chartered accountant. Sukthankar was considered one of the frontrunners for the post of managing director after Aditya Puri's retirement in October 2020. He tendered his resignation on August 10. "HDFC Bank has a strong management team and the roles of the top people are defined clearly," said Suresh Ganapathy, an analyst at Macquarie. "An internal candidate will be taking over as executive director of the bank and the transition will be smooth. The bank has laid out plans to appoint the next MD over the next two years before Puri retires."

## **Business Line**

### **4. Disclose action taken against wilful defaulters over Rs 50 cr loans: CIC**

#### PTI

Statement comes in the heels of a SC order. The action taken against wilful defaulters of banks loans of above Rs 50 crore should be made public by the Finance Ministry, Ministry for Statistics and Programme Implementation and RBI, the CIC has said.

The Information Commissioner Sridhar Acharyulu pointed out that the defaulters of small amounts like farmers are defamed in public, while the defaulters above Rs 50 crore were given long rope.

The defaulters above Rs 50 crore were given high concessions in the name of one time settlements, interest waivers, several other privileges and their names are hidden from exposure to secure their reputation, he said.

In a terse order, the Commission noted that over 30,000 farmers have committed suicide between 1998 and 2018 as they could not live in shame of not being able to repay their loans. "They lived by and died in the agricultural fields believing in mother earth, but did not leave mother land like 7000 rich, educated corporate industrialists who cheated the nation by evading thousands of crores," Acharyulu said.

The proactive disclosure clause of the RTI Act Section 4(1)(c) makes it mandatory for all government departments to publish all relevant facts while formulating important policies or announcing the decisions which affect public, while 4(1)(d) asks them to provide reasons for their administrative or quasi-judicial decisions to affected persons, he said in the order.

Acharyulu said the Finance Ministry, Ministry for Statistics and Programme Implementation and RBI have a "duty" to inform people from time to time their policy in dealing with the wilful defaulters of Rs 50 crore and above, how do they want to deal with them and save the public money and economy of our nation.

The contention of the RBI is that as the regulator and supervisor of the banking system, it has discretion in the disclosure of such information in public interest and cites clauses of section 8(1) to deny information, he said.

"Supreme Court rejected all the contentions of the RBI and directed them to honour all the CIC orders of disclosure without interfering with those orders and dismissing the appeal of the RBI. In the wake of this order of Supreme Court, the RBI has no other alternative to disclosure of the information sought," he said.

When the RBI has authorised banks to prepare the list of wilful defaulters of Rs 25 lakh, and after ensuring no genuine loan-takers' name is published in the list of wilful defaulters, why not ensure publication of the details of wilful defaulters of Rs 50 crore and above as sought by this appellant to fulfil the right to information of the citizens, Acharyulu pointed out.

He directed the ministries and the RBI to provide the information about action taken against wilful defaulters of Rs 50 crore and above, reasons for the failure in their efforts, criminal actions initiated, or reasons for not initiating criminal actions.

"...if they cannot submit any part of that information, they may chose to explain why should they not be directed to publish the details of the information sought including the names of wilful defaulters, before September 20, 2018," he said.

## **5. LIC Board to decide modalities for raising stake to 51% in IDBI Bank on Sep 4**

### PTI

The LIC board will meet on September 4 to decide on the modalities for increasing stake in debt-ridden IDBI Bank to 51 per cent, a move that will provide insurance behemoth entry into the banking space.

The board will discuss time line for open offer, board level appointments and future strategy for revitalising IDBI Bank, sources said.

LIC is slated to pick up additional 7 per cent stake in IDBI Bank soon. With this, total holding in the bank would rise to 14.9 per cent. At present, LIC holds 7.98 per cent stake in the public sector bank.

The bank received a letter dated August 28, 2018 from LIC giving in-principle approval for subscription of equity shares on preferential basis subject to their total exposure not exceeding 14.9 per cent of post issue capital of IDBI Bank at any point of time, the bank had said in a regulatory filing yesterday. The board will consider the proposal on August 31, it added.

The first round of stake sale will help the debt-ridden lender to meet immediate capital requirement, sources said.

In August, the Union Cabinet had approved LIC's proposed acquisition of up to 51 per cent stake in debt-ridden IDBI Bank.

The board at its meeting, to be held on August 31, will consider the proposal for seeking shareholders' approval through postal ballot for preferential issue of capital to LIC, aggregating up to 14.90 per cent of the bank's post issue paid up capital, it added.

The bank, in which the government holds 85.96 per cent stake, had posted a net loss of Rs 2,409.89 in the quarter ending June 2018. It had a gross non-performing asset (NPA) of about Rs 57,807 crore.

The board of Insurance Regulatory and Development Authority of India (IRDAI), at its meeting held in Hyderabad in June, had permitted LIC to increase its stake from 10.82 per cent to 51 per cent in IDBI Bank. As per current regulations, an insurance company cannot own more than 15 per cent in any listed financial firm.

LIC has been looking to enter the banking space by acquiring a majority stake in IDBI Bank as the deal is expected to provide business synergies despite the lender's stressed balance sheet. With the culmination of the deal, LIC will get about 2,000 branches by which it can sell its products, while the bank would get massive funds of LIC. The bank would also get accounts of about 22 crore policy holders and subsequent flow of fund.

With kind regards,

Yours Comradely,



**( N. GOVINDRAJULU )**  
**GENERAL SECRETARY**