



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
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Dear Comrades,

1st December, 2018

### News of Interest 1<sup>st</sup> DEC

#### MOTIVATIONAL QUOTES

**“THE SUCCESSFUL WARRIOR IS THE AVERAGE MAN, WITH LASER-LIKE FOCUS”.**

**BRUCE LEE**

#### HIGHLIGHTS

1. UIDAI ASKS BANKS NOT TO DISCONTINUE AADHAAR PAYMENT SYSTEM, CITES SC ORDER
2. GDP DATA: MUTED GROWTH IN MAJOR SEGMENTS IN GVA; ECONOMISTS NOT OPTIMISTIC
3. RAKESH JHUNJHUNWALA SETTLES INSIDER TRADING CASE WITH SEBI
4. MAVERICK ACCOUNTANT SWAMINATHAN GURUMURTHY SHAKING UP RESERVE BANK OF INDIA
5. GOVERNANCE LAPSES, POOR COMPLIANCE CULTURE LED RBI TO TRIM KAPOOR'S TERM AT YES BANK: SOURCES

#### Business Standard

##### **1. UIDAI asks banks not to discontinue Aadhaar payment system, cites SC order**

The clarification came after the UIDAI, or Unique Identification Authority of India, took note of a letter from the State Bank of India (SBI) to the National Payments Corporation of India (NPCI)

[Press Trust of India](#) |

The UIDAI on Friday asked banks not to discontinue the Aadhaar Enabled Payment System (AEPS) as it may obstruct delivery of welfare benefits.

The clarification came after the UIDAI, or Unique Identification Authority of India, took note of a letter from the State Bank of India (SBI) to the National Payments Corporation of India (NPCI).

The SBI, in a letter, dated November 19, 2018, informed NPCI of its intention to discontinue Aadhaar-enabled payment system purportedly based on the understanding that its continuation may be in violation of the recent Supreme Court judgement.

UIDAI said the matter has been carefully examined, and the apex court has upheld the constitutionality of the Aadhaar programme, specifically Section 7 of the Aadhaar Act.

"Therefore any action to discontinue such payment/receipt mechanism (AEPS, BHIM, Aadhaar Pay) or bank accounts by banks, on the ground that it is not possible to distinguish their use for delivery of welfare benefits or other purposes may be held contrary to Section 7 of Aadhaar Act and Puttaswamy-II judgment as it will result in creating obstruction in delivery of benefits and may cause denial in deserving cases," UIDAI said in a circular marked to banks, CEO of NPCI and Deputy Governor of the Reserve Bank of India (RBI).

UIDAI, which maintains the Aadhaar database, clarified that where a payment/ receipt mechanism using Aadhaar authentication such as AePS, BHIM, Aadhaar Pay has been established or a bank account has been opened or verified using Aadhaar eKYC for the purpose of correctly identifying a current or potential beneficiary of welfare scheme, there is nothing in the apex court's recent judgement that bars use of such a mechanism.

"Instead it is obligatory on banks to continue to provide such facility to people," it said.

The Supreme Court had in a landmark verdict in September restricted the use of Aadhaar authentication by private entities in the absence of a legal provision, but allowed its mandatory use for welfare schemes, filing of Income Tax (IT) returns and allotment of Permanent Account Number (PAN).

## **2. GDP data: Muted growth in major segments in GVA; economists not optimistic**

Economists don't agree with the finance ministry's optimism that the economy is on track

### Ishan Bakshi

The country's economic growth slowed to a three-quarter low of 7.1 per cent in July-September 2018-19 from almost a four-year high of 8.2 per cent in April-June.

This was despite gross fixed capital formation, denoting investment activities, growing by double digits for the third straight quarter.

Growth in gross value added moderated to a three-quarter low of 6.9 per cent in Q2, pulled down by manufacturing, mining and agriculture, among others. The financial services sector saw a subdued growth rate.

Almost none of the major segments in gross value added (GVA), except electricity, which has a low share in GDP, and government-supported services, showed a rise in growth. Besides, the trade, hotel and communication segment rose only moderately higher in Q2 compared to that in Q1.

GDP growth was below the Reserve Bank of India's (RBI's) expectations of 7.4 per cent. In its monetary policy report, the RBI had projected GDP growth to be 7.1 per cent in Q3 and 6.9 per cent in Q4. Along with a benign inflation rate, this will prompt the Monetary Policy Committee to not hike the policy rate in its review next week, say economists. This is the last crucial macroeconomic data before the policy.

Economic Affairs Secretary Subhash Garg said GDP growth in second quarter seemed disappointing. The finance ministry's statement later said, "This quarter also faced the challenge of higher oil prices, resulting in a much higher import bill and the weakening of the rupee."

The Indian economy is on track to maintain a high growth rate in the current global environment." The sequential slowdown in GDP growth in Q2, the extent of which is largely in line with our expectations, confirms that the expansion in excess of 8 per cent recorded in Q1 was an aberration led by base effects, noted Aditi Nayar, principal economist at ICRA.

However, India continued to be the fastest-growing large economy with China delivering 6.5 per cent growth in July-September 2018.

In the first half of FY19, the economy grew at 7.6 per cent, up from 6 per cent last year. "First half GDP growth is quite robust and healthy. Still, the highest growth rate in the world," noted Garg. Economists don't agree with the finance ministry's optimism that the economy is on track. SBI Chief Economist Soumya Kanti Ghosh said, "Signs are not rosy, and we expect GDP growth to slip below 7 per cent in H2FY19."

CRISIL lowered its projections for the economic growth 10 basis points to 7.4 per cent for the current financial year from 7.5 per cent estimated earlier. CRISIL Chief Economist D K Joshi said slowdown in private consumption dragged GDP growth down to 7.1 per cent in Q2. Growth in gross value added moderated to a three-quarter low of 6.9 per cent in Q2.

Growth in the second quarter was driven by public administration, defence & other services, which largely connote government spending. The sector grew by 10.9 per cent in Q2, up from 9.9 per cent in Q1, contributing 1.5 percentage points to growth in Q2FY19. However, manufacturing dipped to 7.4 per cent from 13.5 per cent in the previous quarter.

"The sharp slowdown in GVA growth of manufacturing in Q2 relative to the previous quarter is in line with the quarter-on-quarter decline in the aggregate EBITDA margins of a wide section of corporates, led by a rise in input and energy costs and rupee depreciation," noted Nayar. Construction grew at a slower pace of 7.8 per cent in Q2, down from 8.7 per cent in the previous quarter, reflecting the seasonal impact.

"Typically construction slows during the July-September quarter due to monsoon and picks up thereafter," noted Devendra Pant, chief economist, India Ratings and Research (Ind-Ra).

The mining sector's woes continued with the sector contracting by 2.4 per cent in Q2. Agricultural growth slowed to 3.8 per cent in Q2 from 5.3 per cent in Q1.

Within the services sector, trade, hotels, transport and communication remained range-bound, growing at 6.8 per cent in Q2, while financial, real estate & professional services dipped marginally to 6.3 per cent in Q2 from 6.5 per cent earlier.

On the expenditure side, investment remained healthy with gross fixed capital formation (GFCF) growing at 12.5 per cent in Q2, up from 10 per

cent in the previous quarter. Its share in GDP (at current prices) has gone up to 29.2 per cent in Q2, the highest since Q1FY17. It is possible that increase in capital spending on road, affordable housing and railways pushed up growth, noted analysts.

However, private consumption expenditure slowed to 7 per cent in Q2, down from 8.6 per cent in the previous quarter.

"While moderation in consumption growth in Q2 relative to the previous quarter was led by the base effect, prevailing disinflation in food prices has cast concerns on the sustainability of the strength of rural demand in the near term," noted Nayar.

"Whether market prices rise closer to the revised MSPs for various crops would crucially affect rural sentiment and demand. While commentary by various corporates related to their Q2 earnings suggested that urban sentiment was mixed, the reduction in fuel prices may boost consumption," she added. Some economists say the slowdown in growth, coupled with subdued retail inflation, could prevent the MPC from hiking rates in its monetary policy review next week.

"Ind-Ra believes the FY19 may still end up with GDP growth of 7.3 per cent and the RBI may get the much-needed elbow room to keep the policy rate unchanged in the forthcoming 5th bi monthly policy review on December 5. If the current trend of growth inflation mix continues, a rate hike in the current fiscal year is ruled out," noted Pant.

## **Financial Express**

### **3. Rakesh Jhunjhunwala settles insider trading case with Sebi**

By: PTI

Ace investor Rakesh Jhunjhunwala has settled a case with markets regulator Sebi after paying Rs 2.48 lakh towards settlement charges.

Ace investor Rakesh Jhunjhunwala has settled a case with markets regulator Sebi after paying Rs 2.48 lakh towards settlement charges. The regulator had initiated adjudication proceedings against Jhunjhunwala in 2017 for alleged violation of PIT (Prohibition of Insider Trading norms) in the matter of Geometric Ltd, now part of HCL Technologies.

Under settlement, an entity is allowed to settle charges by paying a penalty without admission or denial of guilt. The "settlement order disposes of the adjudication proceedings initiated against the applicant viz Rakesh Jhunjhunwala," Securities and Exchange Board of India (Sebi) said in an order dated Friday.

It further said that enforcement actions, including commencing or reopening of the proceedings, could be initiated if any representation made by Jhunjhunwala is found to be untrue.

Foreign investor Geosphere (Mauritius) Fund also settled a case with Sebi by paying over Rs 24 lakh as settlement charges, according to a separate order.

The regulator had initiated adjudication proceedings against Geosphere for alleged violation of FII (Foreign Institutional Investors) and FPI (Foreign Portfolio Investors) regulations in 2016.

While the adjudication proceedings were initiated, Geosphere submitted an application for settlement of the adjudication proceedings.

Thereafter, Sebi's High Powered Advisory Committee recommended the case for settlement on the payment of consolidated amount of Rs 23.98 lakh, which was subsequently approved by the regulator's panel of whole-time members, following which it remitted the amount and accordingly proceedings were disposed of by Sebi.

## **Economic Times**

### **4. Maverick accountant Swaminathan Gurumurthy shaking up Reserve Bank of India**

Born in the south Indian state of Tamil Nadu, Gurumurthy, 69, started his career as an accountant

Reuters

Reserve Bank of India (RBI) board member Swaminathan Gurumurthy is a philosopher who will set India on a path of self-reliance. His detractors paint him as an ideologue who has pushed the government into a series of policy blunders.

What neither side disputes is that Gurumurthy, who joined the central bank's board in August, is now one of the country's most influential economic voices.

A chartered accountant and commentator who has long had the ear of leaders of the ruling Bharatiya Janata Party (BJP), Gurumurthy is a leading figure in the Rashtriya Swayamsevak Sangh, the parent organisation of the Hindu nationalist BJP where Prime minister Narendra Modi began his public career.

The former co-convener of the Swadeshi Jagran Manch, the economic wing of the RSS, has shaken up the central bank, say those who know him and are familiar with recent board meetings.

At both the October and November board meetings, Gurumurthy pressed members to do more for smaller enterprises, according to an official who has known him for more than three decades and is aware of the board discussions.

The bank's statement after its last policy meeting on Nov. 19 said it would "ease liquidity for the financial sector and increase credit to small businesses".

"He has his own ideas and he makes his points very forcefully," the official said.

Gurumurthy's appointment is being seen by Hindu nationalists as a major victory in its quest to rid the RBI and the government of "foreign" elements.

But his presence is also worrying investors and analysts, who fear for the RBI's independence.

## **INFLUENCER**

Gurumurthy did not respond to requests for comment, but in a November speech – his first since joining the board – he said globalisation was now "irrelevant", praising U.S. President Donald Trump for his protectionist trade policies.

Hindu groups have cheered him for turning up the heat on RBI Governor Urjit Patel, who it was reported came close to resigning in November due to a rift between the bank and the finance ministry.

"We are very happy about it," said Ashwani Mahajan, who worked as Gurumurthy's fellow co-convener at the Manch, and who has known him for more than 25 years. "The board, which only used to be a rubber stamp, has started discussing these issues."

His call for public sector banks to loosen their lending requirements to small businesses closely aligns with the wishes of the government, which wants to keep India's economy running ahead of a key series of elections, despite a pile-up of bad debts at the banks.

Some investors worry the central bank's independence is being compromised in the process.

"It's not being viewed particularly positively," said Shilan Shah, an economist at Capital Economics in Singapore, which advises foreign funds. "He has been a pretty staunch critic of the RBI and he has got government interests at heart, which support growth before an election."

Randeep Surjewala, a spokesman of the opposition Congress - a party Gurumurthy has persistently clashed with - has said the appointment of a figure with such close links to the ruling party was a "disaster" for the RBI.

Many in the BJP have long seen Gurumurthy as one of the most influential economic thinkers on the Hindu right, said Paranjoy Guha Thakurta, a veteran journalist who has written extensively about Gurumurthy before he joined the RBI board.

"Modi listens to him," he said, noting Gurumurthy argued for removing high value banknotes from circulation months before Modi announced the shock move, known as demonetisation.

The policy initiative has been criticised by some economists as being ineffective at reining in the black economy.

In a speech last year Gurumurthy said the policy had been badly implemented, but this month argued the economy would have "collapsed" without it.

## **PHILOSOPHER**

Born in the south Indian state of Tamil Nadu, Gurumurthy, 69, started his career as an accountant. While working for the firm auditing The Indian Express newspaper he grew close to its chairman, becoming a columnist for the paper.

He was arrested in 1987 in what he called a politically-motivated case, after turning against the then-ruling Congress party, bitter rivals of the current government.

In 2015, top members of the BJP, including president Amit Shah and finance minister Arun Jaitley, flew from Delhi to Chennai to attend the wedding of Gurumurthy's daughter, the Hindustan Times reported.

Gurumurthy's interests extend well beyond economics. He also edits a Tamil-language magazine, Thuglak, which often features satirical cartoons on its cover.

A devout Hindu, he considers himself a follower of Chandrashekarendra Saraswati, a deceased Tamil sage who Gurumurthy has said advised him to stay out of party politics.

In July, he delivered a speech at Samvad, a Hindu-Buddhist conclave designed, he said, to "shift the West-centric narrative into a world-centric and Asia-inclusive one".

"I find him a great thinker," said Mahajan. "Not only is he a great economist but he also has a grip of philosophy – what type (of society) we should have."

A prolific user of social media, he has called on his followers to be "open-minded" about using traditional Indian medicine to cure cancer, while urging Muslim Rohingya refugees to be deported to Myanmar.

He previously accused the Catholic Church in India of "anti-national activity", after an archbishop expressed concern about declining secularism in the country, and warned that Islam "cannot be moderated from within".

## **Business Line**

### **5. Governance lapses, poor compliance culture led RBI to trim Kapoor's term at Yes Bank: Sources**

[PTI](#)

The Reserve Bank of India (RBI) cited "serious lapses" in governance and a "poor compliance culture" at Yes Bank as reasons for its "regulatory discomfort" in allowing Rana Kapoor to head the private sector lender, sources said.

Asking the Yes Bank board to appoint a successor to Kapoor latest by February 1, 2019, the RBI in its letter dated September 17 to the lender's then Chairman Ashok Chawla also said the bank has displayed "highly irregular" credit management practices.

While Chawla, who resigned from the board earlier this month, was not reachable for comments, an e-mail sent to the RBI on the matter remained unanswered.

Sources close to the bank said several concerns, raised by the RBI, have been addressed and the same were reflected in its communication. They also claimed that the bank has complied with all corrective actions sought by the RBI, most of them having been done before the September 17 missive.

In a BSE filing on September 19, Yes Bank had said it has been intimidated by the RBI vide a letter dated September 17 that Kapoor may continue as the MD and CEO till January 31, 2019, but did not disclose any further details on the RBI's communication.

Sources citing the RBI's letter said the central bank also wrote about its "concern" relating to a steep hike in Kapoor's remuneration by the board while seeking a three-year reappointment. The RBI said that it was in defiance of its earlier recommendations to bank boards to cut CEO bonuses.

The central bank said these happenings reinforce its "grave concern and regulatory discomfort with the role of the incumbent MD & CEO in the governance, management and superintendence of the affairs of the Yes Bank."

Rejecting Yes Bank's request for reappointment of Kapoor, the RBI said there have also been other serious violations of statutory and regulatory guidelines during the past three financial years at the bank.

Ever since the RBI curtailed Kapoor's tenure at Yes Bank, its stock, which used to be a top pick of many brokerages, has taken a massive beating. In the two trading sessions after the RBI move, the stock crashed over 40 per cent and it is now down to its 33-month low.

The Yes Bank board had written to the RBI on May 31, seeking reappointment of Kapoor for three years with effect from September 1.

Earlier, the RBI had in an April 11 letter said it had found a number of "serious lapses in the functioning and governance of the bank", which are matters of "utmost concern". The regulator had also flagged these issues to the then chairman Ashok Chawla, and had said that the corrective actions initiated at the bank were "post-facto".

The corrective measures were initiated after "persistent governance and compliance failure reflected by bank's highly irregular credit management practices, serious deficiencies in governance and a poor compliance culture", the central bank said.

The RBI also referred to its letter dated April 11, in which it had asked Yes Bank's board to reconsider a proposal to hike the bonus and remuneration of Kapoor, apart from asking it to "claw back" the bonus paid to him for FY15 and FY16.

The letter further stated that the May 31 request from Yes Bank seeking reappointment of Kapoor "did not even mention, let alone responded to" the April 11 letter from RBI, and also the deliberations by the board, and nomination and remuneration committee, which are also "conspicuously silent" on these aspects.

On the contrary, the board decided to seek shareholders' nod for increasing Kapoor's remuneration and reappointment, the letter said.

The RBI is believed to have told the bank that the action to hold back the previous bonus due to the senior executives but not to claw back Kapoor's despite the RBI correspondence was "indicative of the poor governance standards".

Kapoor is the second private sector bank chief after Axis Bank's Shikha Sharma to have been asked to leave mid-way. While Axis Bank and Sharma accepted the regulatory diktat, Yes Bank's board sought a re-look by the RBI, but the request was rejected.

Yes Bank has been rocked with a spate of resignations, starting with chairman Chawla and three directors, with the latest being that of R Chandrashekhar for reasons not known in full. Former SBI chairman O P Bhatt also stepped down from the CEO search panel earlier this month.

With kind regards,

Yours Comradely,



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