



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

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Dear Comrades,

25th July , 2018

### News of Interest 25<sup>th</sup> JUL

#### QUOTE OF THE DAY

#### HIGHLIGHTS

1. RBI TO GO FOR STATUS QUO IN AUGUST POLICY REVIEW: SBI'S ECO RESEARCH WING
2. IDBI BANK EMPLOYEES TO GO ON STRIKE ON AUG 30 AGAINST 51% STAKE SALE TO LIC
3. 4,387 LARGE BORROWERS ACCOUNT FOR 90 PER CENT OF NPAS
4. GOVERNMENT ASKS RBI TO SUGGEST ON PSU BANK MERGER
5. BANKS URGE RBI TO EASE UP ON CASSETTE SWAP NORM IN ATMS

#### Business Standard

##### 1. RBI to go for status quo in August policy review: SBI's eco research wing

RBI's monetary policy committee will start its rate review meeting from July 30 and is expected to announce its call on August 1

Press Trust of India

The Reserve Bank of India (RBI) will go for status quo in key policy rates in its August policy review, the economic research department of country's largest lender SBI said on Tuesday.

The call is contrary to the expectations of a majority of analysts predicting for another hike given the rise in inflation lately, including domestic ratings agency Icra's which came out with its expectation of a hike today.

"We believe August rate decision is a close call, though we believe status quo rather than a hike looks the best option," the SBI economists said in a note.

It added that the only reason why the RBI may go for a hike will be "to satiate the self-fulfilling prophecy of market expectations" of a rate hike to stem the rupee depreciation.

The note said risks to inflation, which rose to 5 per cent for June, are "evenly balanced", and hike in minimum support prices (MSP) for Agri commodities would only "statistically push up" consumer price inflation by 0.73 per cent. However, it added that such an eventuality is unlikely.

It said the impact from MSP can also be negated by the decline in oil prices which have given a breather to the economy.

With concerns being raised on the surge in core inflation or the price rise excluding energy and food, it said the rise is not broad based and expected the number to come down to 4.5 per cent by March from the 6.5 per cent for the June quarter.

However, it said that food prices may move up, particularly so for cereals, due to the uneven spatial distribution of the monsoon.

RBI's monetary policy committee will start its rate review meeting from July 30 and is expected to announce its call on August 1. It had voted unanimously for a rate hike of 0.25 per cent at the last review in June.

"In the upcoming policy, RBI should adopt the wait-and-watch stance as outlook on inflation is still stable and there are global uncertainties regarding the policy stance adopted by other central banks," the SBI note said.

On the global situation, it pointed out that the US has already started normalisation of its monetary policy, with expectations of a third-rate hike for September, while the European Union is also reducing the monthly pace of asset purchases.

Meanwhile, expecting a rate hike on August 1, Icra's managing director Naresh Takkar said the agency feels there will be hikes of up to 0.50 per cent in the next three quarters of fiscal 2018-19.

## **2. IDBI Bank employees to go on strike on Aug 30 against 51% stake sale to LIC**

Other Bank employees to hold protest, agitations and finally a strike against Government decision

T E Narasimha

Employees of IDBI across the country are planning to go on strike on August 30 to pressurize the government not to privatize IDBI Bank. All India Bank Employees will be supporting IDBI Bank employees through agitations and protests and it will be followed by a strike, threatened All India Bank Employees Association.

The decision was taken at a meeting of the representatives of All India Bank Employees Association (AIBEA), All India Bank Officers' Association, All India IDB Employees' Association, All India IDBI Officers' Association at Chennai on Tuesday.

The Associations want the government to stop privatization of IDBI Bank, government should keep its assurance to the Parliament and implement Clause 4 of the Articles of Association of IDBI Bank by maintaining minimum 51 per cent equity in the Bank and take stringent measures to recover bad loans.

C H Venkatachalam, general secretary, AIBEA and members of other Associations have said that the bad loans in IDBI Bank has gone up to Rs 550 billion, instead of taking stringent measures to recover these bad loans given to big corporate houses, the government is going back on its assurance given to the Parliament to maintain 51 per cent of the Bank's capital and trying to hand over the Bank to LIC and opening the gateway for privatization of the Bank.

Clause 4 of the Articles of Association of IDBI Bank provides that Central government will maintain 51% of the Equity at all times. (Clause 4: The Central Government, being a shareholder of the Company, shall at all times maintain not less than fifty-one per cent of the issued capital of the Company), they noted.

But by allowing LIC to acquire 51% of the equity, government's capital will come down to around 43 per cent. Thus, even the Bank's own Articles of Association is being violated, they alleged.

The main problem in IDBI Bank is the growing bad loans of the big corporate and business houses. Because these huge bad loans are not being recovered, rather all types of concessions are being given, the profits earned by the Bank are going towards making provisions for these bad loans, they added.

In the last seven years from 2012 to 2018, Rs 242.26 billion of loans of the big borrowers have been written off by the Bank.

When the entire profit of the Bank is going towards provisions for bad loans, the Bank is suffering from loss, inadequate capital, etc. The government should take tough measures to recover the bad loans and, in the meantime, extend capital support as assured to the Parliament, said the Associations.

They added, "instead, the government is deciding to reduce its equity to less than 51 per cent in flagrant violation of their own commitment. LIC is being allowed to acquire majority equity of the Bank. This is surely the gateway to ultimately privatize the Bank".

On this backdrop it was decided to launch series of agitation programme starting August 1, to save the Bank from privatization and safeguard the jobs, job security and other interests of the employees and officers, said Venkatachalam.

## **Financial Express**

### **3. 4,387 large borrowers account for 90 per cent of NPAs**

The government today said 4,387 large borrowers accounted for Rs 8.6 lakh crore or 90 per cent of total non-performing assets (NPAs) of the banking sector at the end of March 2018

By: PTI

The government today said 4,387 large borrowers accounted for Rs 8.6 lakh crore or 90 per cent of total non-performing assets (NPAs) of the banking sector at the end of March 2018. The NPAs of the banking sector were Rs 9.62 lakh crore at end-March 2018, up from Rs 2.51 lakh crore as on March 2014, said Minister of State for Finance Shiv Pratap Shukla in a written reply in the Rajya Sabha. "The RBI has apprised that as on March 31, 2018, there were 4,387 borrowers with aggregate funded outstanding of Rs 8,59,532 crore related to Non-Performing Assets (NPAs) of more than Rs 10 crore and above outstanding, in respect of scheduled commercial banks," he said while replying to another question.

He further said as regards details of companies/defaulting individuals against whom NPAs of more than Rs 10 crore and above are pending recovery, the RBI has informed it is prohibited from disclosing credit information. Section 45E of the Reserve Bank of India Act, 1934, provides that credit information submitted by a bank shall be treated as confidential and not to be published or otherwise disclosed.

Shukla also said that as per RBI's directions, cases have been filed under Insolvency and Bankruptcy Code (IBC) before the National Company Law Tribunal (NCLT) in respect of 39 large defaulters, amounting to about Rs 2.69 lakh crore funded exposure (as of December 2017).

The Finance Ministry also informed the House that the gross advances of banks increased from Rs 25,03,431 crore as on March 31, 2008 to Rs 68,75,748 crore as on March 31, 2014, as per the global operations data of the RBI.

It further said public sector banks (PSBs) initiated cleaning up by recognizing NPAs and provided for expected losses. "As a result of transparent recognition of stressed assets as NPAs, gross Non-performing Assets (NPAs) of Scheduled Commercial Banks (SCBs) (as per RBI's off-site returns global operations provisional data, as on March 31, 2018), increased to Rs 10,35,528 crore, of which Rs 8,95,601 crore (86.49 per cent) were gross NPAs of PSBs," it said.

## **Economic Times**

### **4. Government asks RBI to suggest on PSU Bank merger**

PTI

The government has asked the RBI to examine the possibility of merger among public sector banks to achieve synergy and scale operation, Minister of State for Finance Shiv Pratap Shukla said today.

The minister in a written reply to the Rajya Sabha said that there is no timeline has been fixed for merger of the public-sector banks.

"Since various approaches involving varying processes are possible with regard to synergy/consolidation amongst PSBs, Government has requested the Reserve Bank of India for views as well as suggestions regarding specific possible combinations to achieve scale and synergy for appropriate consideration," he said.

With a view to facilitate consolidation among public sector banks to create strong and competitive entities, serving as catalysts for growth, with improved risk profile of the bank, the government has put in place an Alternative Mechanism (AM) comprised of

three ministers, he said.

Giving details of the mandate for AM, he said, the proposals received from banks for in-principle approval to formulate schemes of amalgamation shall be placed before the institution although there is no proposal for consideration before it.

AM may also direct banks to examine proposals for amalgamation, he said, adding that it will receive inputs from the RBI before according in-principle approval.

Last year, the government decided to set up an Alternative Mechanism to fast track consolidation among public sector banks (PSBs) to create strong lenders.

The decision to set up the AM follows State Bank of India merging its five associate banks and Bharatiya Mahila Bank with itself.

In reply to another question, Shukla said the government has sought comments of respective state governments and sponsor banks on a roadmap for amalgamation of Regional Rural Banks (RRBs) within a state with a view to enable RRBs to minimize their overhead expenses, optimize the use of technology, enhance the capital base and area of operation and increase their exposure.

The roadmap has been prepared in consultation with NABARD and proposes to bring down the number of RRBs to 38 from the present 56, he said.

It is expected that the proposed amalgamation of RRBs will bring about better scale-efficiency, higher productivity, robust financial improved financial inclusion and greater credit flow to rural areas, he added.

## **Business Line**

### **5. Banks urge RBI to ease up on cassette swap norm in ATMs**

K RAM KUMAR

May incur an expense of ₹3,200-4,800 crore

Staring at a huge expenditure of ₹3,200-4,800 crore for introducing cassette swap in ATMs, banks are likely to petition the Reserve Bank of India to suitably relax this stipulation.

Onsite ATMs

Bankers feel that onsite ATMs should be exempted from the regulatory directive, requiring banks to use lockable cassettes in their ATMs (which will be swapped at the time of cash replenishment). The reason for seeking the exemption is that such ATMs can be replenished from the branch itself without the fear of cash being pilfered.

Given that banks are weighed down by bad loans, introducing cassette swap for all ATMs will hit them harder. As of May-end 2018, there were 2,25,608 ATMs in the country. If two lakh ATMs (assuming that the remaining ATMs are advanced, having lockable cassettes that hold cash) require cassette-swap facility, then the cost of

procuring two to three sets of four cassettes each at the rate of ₹20,000 per cassette would amount to ₹3,200-4,800 crore.

In order to mitigate risks involved in open cash replenishment/ top-up, the RBI has advised banks to use lockable cassettes in their ATMs, which will be swapped at the time of cash replenishment.

The central bank directed banks to implement the cassette-swap in a phased manner, covering at least one-third ATMs operated by the banks every year so that all ATMs achieve cassette swap by March 31, 2021.

“With cassette swap, every ATM will have four extra cassettes. These cassettes will be in the vault of the cash logistics agencies. When cash is given by the bank, the agencies will load the cassettes under camera surveillance. The cassettes are sealed with a number and all that so that they cannot be tampered with.

“Then they will carry these cassettes to the ATM and load them in place of the older sealed cassettes (which are in the ATM and brought back to the vault). This process is faster as it entails swapping cassettes.

Plus, it prevents pilferage and reconciliation issues for the bank,” said Radha Rama Dorai, Managing Director – ATM & Allied Services, FIS.

With kind regards,

Yours Comradely,



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