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Raghuram Rajan breaks silence, says there were better options than demonetisation

HINDUSTAN TIMES, 3 SEPT 2017

Former RBI governor Raghuram Rajan has revealed that he did not favour demonetisation as he felt the short term economic costs associated with such a disruptive decision would outweigh any longer term benefits from it.

Rajan makes the disclosure in his latest book - *I do what I do* - which is a compilation of speeches he delivered on wide range of issues as the RBI governor. Although he maintains the book is not a tell-all, the short introductions and postscripts accompanying the pieces offer fascinating insights into his uneasy relationship and differences with the present government.

"At no point during my term was the RBI asked to make a decision on demonetisation," Rajan has said, putting to rest speculation that preparations for scrapping high-value banknotes got underway many months before Prime Minister Narendra Modi made the surprise announcement on November 8.

This is the first time the former RBI governor has spoken on demonetisation since demitting office on September 3 last year. Rajan, who now teaches economics at University of Chicago, said he chose not to speak on India for a year because he didn't want to "intrude on his successor's initial engagement with the public".

"I was asked by the government in February 2016 for my view on demonetisation, which I gave orally. Although there might be long-term benefits, I felt the likely short-term economic costs would outweigh them," Rajan wrote.

"I made these views known in no uncertain terms."

He didn't elaborate on the short-term costs or the possible long-term benefits, but as the RBI governor he "felt there were alternatives to achieve the main goals."

Latest government data showed the November 8 decision to scrap Rs 1,000 and Rs 500 notes, sucking out 86% of cash circulating in the system, has had a lingering impact on the economy.

The growth of GDP slowed sharply from 7% in October-December quarter to 6.1% in January-March and 5.7% in April-June, primarily because of the cash squeeze that weakened consumer spending and discouraged businesses from making new investments.

The government, however, maintains that the economic slowdown has not been entirely because of demonetisation. In an interview to Times of India, published Sunday, Rajan described the deceleration in GDP as "the costs of demonetisation upfront."

"Let us not mince words about it - GDP suffered. The estimates I have seen range from 1 to 2 percentage points, and that's a lot of money - over Rs 2 lakh crore and may be approaching Rs 2.5 lakh crore," he said in the interview.

"I think the people who mooted this must have thought some of it would be compensated if money didn't come back into the system," he said referring to illegal wealth held in cash.

The government's expectation was that at least Rs 3 lakh crore worth black money held in cash won't return, significantly reducing the liability of the central bank and boosting its profits, which could be used for new investments and developmental work.

But RBI data, available now, shows 99% of the high-value notes have returned to the banking system, meaning hoarders of black money found a way to legitimise most of their dodgy cash.

"The fact that 99% has been deposited certainly does suggest that aim (of curbing black money) has not been met," Rajan said in the interview.

Despite his reservations, Rajan wrote in his book, the RBI was asked to prepare a note, which it did and handed to the government.

The RBI note, he said, "outlined potential costs and benefits of demonetisation, as well as alternatives that could achieve similar aims. If the government, on weighing the pros and cons, still decided to go ahead with demonetisation, the note outlined the preparation that would be needed, and the time that preparation would take."

"The RBI flagged what would happen if preparation was inadequate," he wrote.

The government subsequently set up a committee to consider the issue. The central bank was represented on the committee by its deputy governor in charge of currency, Rajan wrote, possibly implying he did not attend these meetings.

The current leadership of the central bank could not be reached for comments on Rajan's account. Phone calls to the RBI spokesperson went unanswered.

Rajan did not detail the contents of the note RBI had submitted to the government. Modi's radical move was slammed by the opposition as ill-conceived and poorly executed. It took banks much longer than the government had expected to tide over the cash crisis. Frequent changes in cash withdrawal rules added to chaos and inconvenience that lasted far longer than the 50 days the PM had sought to restore normalcy.

Still, Modi won popular support for his move, winning a landslide victory in crucial elections in Uttar Pradesh. Most people, especially the poor, backed his decision as a frontal attack on black money

Centre tells PSBs to begin merger process ‘immediately’

Manojit Saha MUMBAI, SEPTEMBER 1, 2017 THE HINDU

Waives need for Competition Commission clearance

The Centre late on Thursday dashed off a letter to public sector banks asking them to start the merger process immediately and their respective boards to take up the issue. The government said the approval requirement of Competition Commission to expedite mergers among PSBs had been done away with. According to senior bank officials who received the communication, the government cited the Narasimham committee report and highlighted the need for large-sized bank that could fund the huge infrastructure need of the country. Bankers said this was the first time in recent history that an official communication had come from the government to the banks asking them to start the merger process.

Larger framework

The Centre has provided a broad framework to the banks to take the merger exercise forward. According to the framework, once the board approves the merger plan, it has to be sent to the 'alternative mechanism' approved by the Union Cabinet last week. Banks have also been asked to seek the banking regulator's view regarding their proposal. SBI Caps has also been given the mandate to identify synergies among the banks that could be merged. "The government wants the merger proposal to come from the bank boards," said a senior public sector banker, on condition of anonymity.

Bankers said the government had also started preparing the ground to remove certain hurdles for consolidation, such as doing away with the approval from Competition Commission.

Some bankers said the government would wait till the Q2 results, which will be out by the first week of November, before finally deciding which bank will be merged with whom.

While the government wants the proposal for the merger should come from the bank itself, bankers said it is to be seen how many banks actually send such a proposal because it will mean one of the chief executives will lose his/her job.

"At this point, we do not know whether it is an order or it is voluntary for us to propose merger," said the chief executive of an another bank regarding Thursday's communication. Another banker said weak banks do not have a choice but to merge with stronger banks as the former's growth will be impacted due to weak balance sheet.

The move comes at a time when banks, mainly public sector that controls 70% of the market, are reeling under the pressure of asset quality which has depleted capital. Gross non-performing asset ratio in the banking system was 9.6% and stressed asset ratio at 12%, as on March end.

UCO holds salary to poor performers, angers union

Sep 2, 2017, By Udit Prasanna Mukherji & Partha Sinha | TNN

Kolkata/Mumbai: In an unprecedented move for the government sector, ailing public sector lender UCO Bank on Tuesday sought to stop the salaries of about 200 employees at 11 branches in Kolkata, citing non-performance as the reason. However, following agitation by employee unions, the salary was released the next day.

The move is being described as a first-of-its-kind in the history of public sector banks by former top officials of PSU banks. Dipak Rudra, the former chairman of UCO Bank, told TOI that he has never heard of such an incident. "This is unprecedented," he added. A former chairman of United Bank of India also agreed with Rudra.

On August 29, the zonal office of UCO Bank in Kolkata had issued a circular with the subject 'stoppage of salary' to the personnel service department. The circular said, "With reference to above, you are requested to stop salary for August 2017 of all the staff members of the following branches of our zone due to their non-performance in almost all the key business parameters." The branches listed were Kolkata main retail branch, Shyambajar, New Market, Baruipur, Park Street, Canning Street, J M Avenue, Baghbajar, Birlapur, Circus Avenue and Sadananda Road. These branches have a total employee strength of 200. UCO Bank has over 3,000 branches all over the country and has an employee strength of close to 25,000.

The bank posted a Rs 1,850-crore loss in 2016-17. When contacted, UCO's Kolkata regional manager S K Ghosh said that the management has already released the salary for all the employees of these branches. However, he was not ready to comment anything more on this.

According to a senior government official in Mumbai, under service rules, an employee cannot be denied his or her salary for non-performance. There are other reasons — like criminal cases, fraud, embezzlement, etc — for denial of salary, but even then there is a due process, the official said.

The **All India UCO Bank Employees Federation's** secretary Partha Chanda termed the move as illegal. "The management had tried to stop the salary of all staff members of these branches — from branch managers to sweepers — which has never happened since nationalisation of banks started (in the 1960s).

After hearing about the move, we immediately protested and, subsequently, it was released," he added. Chanda said that in individual cases earlier, some public sector banks had stopped salaries of one-two employees who had specific charges against them. "But this move has no precedence. According to our service condition, management cannot undertake such an action," he said. He added that all unions will join hands and would start a long-term agitation against such moves.

All India Bank Employees Association president Rajen Nagar pointed out that such an action would not help the turnaround of the bank. "We strongly protest and condemn the action," he added.

PM Narendra Modi doesn't like to take questions: Maharashtra BJP MP Nana Patole

BJP MP Nana Patole said PM Narendra Modi had got angry with him when he tried to raise issues about the OBC Ministry and farmer suicides at a meeting of BJP MPs.

by Vivek Deshpande | Nagpur | September 2, 2017 Indian express

BJP MP Nana Patole on Friday said that Prime Minister Narendra Modi does not like being asked questions. He said the PM had got angry with him when he tried to raise issues about the OBC Ministry and farmer suicides at a meeting of BJP MPs. Speaking at a programme on farm distress in Nagpur, Bhandara-Gondiya MP Patole said, "Modi doesn't like to take any questions and had got very angry when I raised some issues about the OBC Ministry and farmer suicides at a meeting of BJP MPs. When Modi is asked questions, he asks you if you have read the party manifesto and are aware of various government schemes."

There were reports in the media about Modi giving Patole an earful at a meeting of MPs. "I had made certain suggestions at the meeting like raising green tax, OBC Ministry and more central investment in agriculture. Modi got angry and asked me to shut up," Patole said. "Modi regularly meets party MPs but he doesn't like questions being asked of him."

On Maharashtra Chief Minister Devendra Fadnavis, Patole said, "The CM is incapable of bringing central funds for the state. The Centre gives less to Maharashtra despite Mumbai contributing maximum to the country's coffers. The CM has also stopped taking meetings of party MPs in Mumbai before the beginning of the Parliament session." The MP added, "All central ministers are always in a state of fear. So I am not interested in ministership. I am of late on the hitlist but I am not afraid of anyone."

As experienced staff superannuate, Syndicate Bank mulls succession plan

September 1, 2017 Anil Urs BUSINESSLINE

Melwyn Rego, MD & CEO, Syndicate Bank

A scheme where junior officers will be rigorously trained by seniors is in the works: MD

Syndicate Bank, which is facing superannuation of experienced staff and officers in large numbers, is putting in place a succession plan to stay competitive.

The bank has a total work force of over 34,000, comprising both staff and officers. Fifty per cent of them are officers.

“The bank is no exception to facing issues of superannuation of experienced people and who are increasingly replaced by younger officers,” said Melwyn Rego, Managing Director and Chief Executive Officer, Syndicate Bank.

Of the work force, about 6,600 at the staff level and 700 at the officer level — that is, 40 per cent of the total work force — falls in the age group of less than 30 years.

“As one looks at the bank’s employee base, the average age of the staff is quite young, at 36.50 years,” said Rego.

In this scenario, putting in place a structure or a succession plan is key to long-term survival. According to Rego, “A plan in which our junior-level officer will be rigorously trained by our senior officers so that the future of the bank is in safe and secure hands is being worked out.”

The bank, in order to build the necessary skill-sets in the shortest possible time, is exploring proactive measures and actions which would yield quick results.

“Our bank is very well placed because of the demographic profile. We are addressing our issues through e-learning, besides regular courses and normal classroom training, which are increasingly redefined by business process outsourcing,” said Rego.

Recently, the bank had launched project Ananya — a two-year transformation project aimed at improving services to customers. “This is going on well and when completed will give a new look to the way business is done in the bank. It also give a fillip to our retail business,” said Rego.

According to Rego, the concept of product champions is being introduced. “The product champion will ensure our products are competitive and customer-friendly, and also ensure improvement in product delivery and turnaround time.”

BANKS BACHAO – DESH BACHAO

SAVE BANKS – SAVE INDIA

MORCHA TO PARLIAMENT

15TH SEPTEMBER, 2017

CLARION CALL FROM

UNITED FORUM OF BANK UNIONS

- **Bank mergers will result in branch closures**
- **Branch closures will result in surplus staff**
- **Surplus Staff will result in staff redundancy**
- **Staff redundancy will mean in extra cost**
- **Extra cost will lead to exit policy**
- **Exit policy will result in loss of jobs**

THEREFORE, MERGR = JOB LOSS

WE OPPOSE : JOB LOSS

WE DEMAND : RECRUITMENTS

BE A PART OF THE HISTORIC MORCHA TO PARLIAMENT

AIBEA - AIBOA

AIBEA THIS DAY – 3 SEPTEMBER	
1995	Joint Memorandum on Relativity Issues to Deputy CLC at Bombay. AIBEA and 3 Unions and letter to Finance Minister.

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in