

# SYNDICATE BANK EMPLOYEES' UNION (REGD)

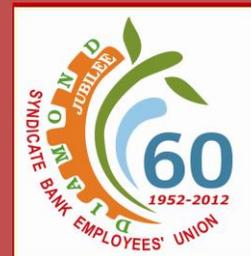
(AFFILIATED TO AIBEA)

CENTRAL OFFICE

G-5, Ground Floor, City Complex, 24, B.N. Road Lalbagh, Lucknow-226001.

Phone : 0522-2230402, Fax : 0522-2230402

E-mail : aksrivastava\_sbeu@yahoo.co.in



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## 'It'll be a pity if new banks are clones of existing ones'

MUMBAI, NOV 15: OUR BUREAU



P. Chidambaram, Finance Minister (file photo)

### **Chidambaram wants licences to go to aspirants with differentiated models**

Bank aspirants with differentiated models of banking will be preferred while issuing new banking licences, said Finance Minister, P. Chidambaram.

"I appreciate the need for different models of banking. I am happy that some of the applicants to the RBI for licence have different models. We need different kinds of banks to cater to different segments of Indian society," said P. Chidambaram, while speaking at BANCON 2013.

The RBI is currently scrutinising 26 applications by private entities to run banks. The new licences are expected to be issued in January.

According to Chidambaram, the quality of banking products is the next challenge that the industry is facing due to which there is a need to make models that are customer-centric.

"I don't know how established banks will shift focus and cater to the unbanked people. I sincerely hope that when new bank licences are given out, they are given to people with innovative models. It will be a pity if the new banks are clones of existing banks," Chidambaram said.

### **Be stern with wilful defaulters**

The finance minister also said that the banks need to be stern with wilful defaulters but hand hold victims of external circumstances. He also assured banks that all commercial decisions taken by them will be defended.

"A poor or wrong decision does not mean a "malicious decision. Each of these decisions (by banks) is based on facts and it will be dangerous to call them crime by authorities. We strongly advise against such behaviour by authorities", he said.

### **On economy**

Chidambaram said the current account deficit which was reported at \$88 billion last year, will be contained this fiscal to below \$56 billion.

While referring to the overall economic growth, Chidambaram said, "The green shoots that are visible here and there, will multiply and the economy will revive. There will be an upturn in the second half of this year and it is quite possible that the estimates made by the Reserve Bank or the PMEAC or the government of growth between 5 and 5.5 per cent will be realised."

Referring to a case against another possible rise in interest rates, the finance minister said the monetary policy has no impact on food inflation and the nation needs to augment supply and improve logistics to reduce food inflation.

"It will be a pity if our country can't grow at its potential. It has been pointed out time and time again that our potential growth rate is well over 8 per cent. I am hopeful that measures taken so far will yield results and bring us back to the high growth path," Chidambaram said.

## **Differential licensing may leave less lucrative business out: SBI chief**

MUMBAI, NOV 15: OUR BUREAU

After the Finance Minister P. Chidambaram spoke about adopting innovative methods to follow differential licensing in India, the SBI chief was quick to say that we should ensure there is no regulatory arbitrage.

According to Arundhati Bhattacharya, "Otherwise, the more lucrative part of the business will get a lot of flair and for universal bankers like us, some amount of business is cross-subsidised by other players, but if we get a lot of competition in the lucrative business, then it would be difficult to maintain the other business."

"Other than that if somebody wants to do a business in a particular area after having met all the regulatory requirements, it is fine... their call," Bhattacharya added.

Bank aspirants with differentiated models of banking will be preferred while issuing new banking licences, said Finance Minister P. Chidambaram at the annual banking conference BANCON.

"I appreciate the need for different models of banking. I am happy that some of the applicants for licences have different models. We need different kinds of banks to cater to different segments of Indian society," said Chidambaram.

The regulatory requirements include maintaining adequate SLR securities, priority sector lending and CRR, among others.

ICICI Bank chief Chanda Kochhar, in a bankers' meet post-monetary policy in October, had also said differential licensing could lead to regulatory arbitrage.

## **Barclays bank to cut 1,700 jobs in UK**

PTI LONDON, NOV 15:

Barclays Bank plans to cut 1,700 jobs as it reduces the number of local branches in Britain, a spokesman said on Thursday.

The spokesman confirmed a claim from the union Unite, saying the way customers accessed their money "is changing rapidly" and fewer branches were required.

Unite said the Barclays had informed its workforce that it will be cutting 1,700 jobs, including cashiers, personal bankers, operational specialists, branch managers and assistant managers next year.

A Barclays spokesman said: "As a result of technological changes, we will be able to provide better service for our customers with fewer staff in our branches.

"Today we have outlined a voluntary redundancy scheme for those colleagues who are interested."

Unite accused Barclays of making a "colossal mistake".

"These employees deliver high levels of service that customers of the bank benefit from," it said.

"Such a massive reduction will be very detrimental to the bank and will also be hugely challenging for the staff remaining."

## **Companies must not rely too much on debt: Chakrabarty**

OUR BUREAU KOLKATA, NOV. 15:



K.C. Chakrabarty

Amid criticism over repo rate hikes impacting growth and project financing, RBI Deputy Governor K.C. Chakrabarty on Friday said there was need to change the over-dependence on debt by companies.

There was also a need to look at other available alternatives, especially equity, which has thinned in the recent past. The need was for equity-based growth and not debt-led ones, he said.

"No project can work with bank finance only. What is the equity that has been raised (recently)? We do not see any new issue," he said during an interactive session organised here by the MCC Chamber of Commerce and Industry.

According to Chakrabarty, over-dependence on debt would lead to high cost of borrowings. Projects with high debt component are "not viable". "Equity market is almost dead...last four to five years new projects have gone for 100 per cent debt-led finance," he said.

Interest forms a mere 6-8 per cent of the total cost for companies. The need is to contain the remaining 92 per cent of the cost by identifying slippages and through better utilisation of resources, he said.

The RBI hiked repo rates by a total 50 basis points at its policy review in September and October. The repo rate now stands at 7.75 per cent. India's inflation based on the Wholesale Price Index (WPI) rose to an eight-month high of 7 per cent in October and Consumer Price Index at 10.09 per cent.

#### CONTAINING INFLATION

Meanwhile, Chakrabarty maintained that containing inflation remains the prime concern for the RBI and it is unfair to blame the central bank for low growth, as sustainable economic expansion is possible only when inflation moderates.

"If inflation goes up, interest rates will move up. Growth is sacrificed because of high inflation and not because of high interest rates," he said, adding that the Indian economy has the potential to grow 9-10 per cent per annum if banks and industry function to their best.

Citing the need for producing more goods and services in order to reduce supply side pressures; Chakrabarty said: "High inflation is always inimical to growth and if we don't control inflation we can never get growth."

Further, he saw plenty of growth opportunities post-elections.

Chakrabarty, however, did not comment on the likelihood of further rate hikes and said the RBI's job was not to "predict".



## **ALL INDIA BANK EMPLOYEES' ASSOCIATION**

***Central Office: PRABHAT NIVAS***

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

***Phone: 2535 1522, 6543 1566 & Fax: 2535 8853, 4500 2191***

***e mail ~ chv.aibea@gmail.com***