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FM to grill Govt banks' chiefs tomorrow

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Finance Minister P Chidambaram will take stock of public sector banks' performance on Tuesday, to assess whether credit is being provided to productive sectors, selected sectors are being given a boost and if the lenders are reining in the growth of non-performing assets (NPAs).

He will also review interest rates on non-resident Indian accounts, in focus to take advantage of the rupee's depreciation.

The meeting comes weeks after the government agreed to infuse additional capital into banks to generate demand in consumer goods.

It will assess how the reduction in lending rates by banks in recent weeks has helped credit offtake in two-wheelers and consumer durables, as well as in other sectors. The public sector banks (PSBs) might be asked to give their estimates on the capital infusion they would need during the year. A provision of Rs 14,000 crore was made in the year's Budget and the money is likely to be made available by the end of the financial year. Many PSBs, such as State Bank of India, Punjab National Bank, Oriental Bank of Commerce and Indian Overseas Bank, have lowered their lending rates for buyers of automobiles and consumer goods during the festival season. The rates are now in the range of 10.45-10.75 per cent for automobile loans up to three years.

As the output of consumer durables and capital goods declined by 7.6 per cent and 0.8 per cent, respectively, in August, the Centre is expecting that lower interest rates might

encourage buyers to shop this festival season, boosting the growth in gross domestic product, which had fallen to a four-year low of 4.4 per cent in April-June this year.

However, India Ratings in a recent report had said this would not have much impact on automobile sales, as the overall cost of ownership is high and continues to rise steadily due to the frequent rise in fuel prices.

Officials said the review meeting would also lay emphasis on the interest offered on NRI accounts.

Due to rupee depreciation, the government and the Reserve Bank of India (RBI) were encouraging NRI deposits to attract dollar inflows. RBI Governor Raghuram Rajan had opened a swap window on FCNR accounts. Besides, banks' performance on overall credit growth, credit growth to medium and small enterprises, the farm sector, minorities, industry and financial inclusion will be discussed.

The rising NPAs of state-owned banks and the measures taken to recover these would be an important item. Emphasis will be on the top 30 NPA accounts in each bank.

Gross NPAs of PSBs had increased to Rs 1.76 lakh crore at the end of the June quarter from Rs 1.55 lakh crore at the end of March 2013.

The economy grew at a decadal low of five per cent in 2012-13. Independent analysts pegged the growth below even five per cent for 2013-14, after the first quarter growth fell to a four-year bottom of 4.4 per cent.

Banks well capitalised to absorb losses due to project delays: Rajan

MUMBAI, OCT. 20:



Raghuram Rajan, Governor, RBI.

Forex reserves sufficient to finance entire CAD for several years, says RBI Governor

Indian banks have enough capital to absorb losses until the delayed projects revive and start generating revenues to repay loans, said Reserve Bank of India Governor Raghuram Rajan.

"The banking sector has undoubtedly experienced an increase in bad loans, often owing to investment projects that are not unviable but only delayed. As these projects come on-stream, they will generate the revenue needed to repay loans. India's banks have the capital to absorb losses in the meantime," Rajan said at a lecture delivered at the Harvard Business School (HBS) in Boston last week.

Addressing HBS students with notes from his recent article, Rajan also said, while it is projected that the current account deficit (CAD) will come down to 3.7 per cent this year, "I think we could be pleasantly surprised (positively)."

"Despite its shortcomings, India's GDP (gross domestic product) will probably grow by 5-5.5 per cent this year — not great, but certainly not bad for what is likely to be a low point in economic performance.

"The monsoon has been good and will spur consumption, especially in rural areas, which are already growing strongly, owing to improvements in road transport and communications connectivity," Rajan added.

Expressing further optimism, the RBI chief said, "India's finances are stronger than in the typical emerging-market country, let alone an emerging-market country in crisis. India's overall public debt/GDP ratio has been on a declining trend....External debt burden is even more favourable, at only 21.2 per cent of GDP (much of it owed by the private sector."

Also, our foreign-exchange reserves stand at \$278 billion (about 15 per cent of GDP), enough to finance the entire current-account deficit for several years, Rajan said.

20,000 gram panchayats in Maharashtra to get e-banking facilities

PTI MUMBAI, OCT 20: BL

In a bid to curb financial irregularities by self-help groups and money lenders, the Maharashtra government has decided to start e-banking facilities in 20,000 state gram panchayats.

There are around 28,000 gram panchayats in the state of which 20,000 would have the e-banking facility, the Maharashtra Rural Development Minister, Jayant Patil, who took a decision in this regard recently, said.

"With this, Maharashtra would become the first state in the country to provide the facility of e-banking in Gram Panchayats," he claimed.

"Duping by money lenders, self-help groups and financial irregularities will be curbed and Gram Panchayats will become the centre of financial transactions," he said.

The State Government is in the process of signing an agreement with nationalised banks for its implementation soon.

Out of the total 28,000 Gram Panchayats in the state, only 5,000-6,000 have branches of banks, a rural development department official said.

Dept of Posts cuts banking fund proposal to Rs 623 cr



The Department of Post plans to start 50 bank branches in the first year and scale it up to 150 branches in five years.

NEW DELHI, OCT 20: PTI

The Department of Posts (DoP) has lowered its estimate of funds that it needs to start banking operations to about Rs 623 crore from its earlier projection of about Rs 1,900 crore, sources said.

The proposal for Rs 623 crore includes Rs 500 crore that is required as paid-up capital under the RBI's new banking licence norms. The remaining amount is for infrastructure that is needed to comply with the new norms.

The DoP has applied for a banking licence. The Reserve Bank of India is expected to issue licences to shortlisted entities in January 2014.

"The DoP has lowered the proposal for funds it needs to start banking operations from about Rs 1,900 crore estimated earlier to about Rs 623 crore," a government official told PTI.

The Government has sent the DoP's fund proposal to the Expenditure Finance Committee. Once cleared by EFC, the proposal will be placed before the Cabinet for final approval.

The DoP plans to start 50 bank branches in the first year and scale it up to 150 branches in five years.

There are around 90,000 bank branches in the country and provision of real-time banking services through postal network is estimated to triple the current banking network.

Finance Minister, P. Chidambaram, in this year's Budget proposals had said post offices would become part of the core banking solution (CBS) and offer real time banking services.

He had proposed a provision of Rs 532 crore for the project in 2013-14.

The Post Banks are proposed to be owned by DoP but with a completely independent board, governance structure and operations. It will have representation from Ministries of Finance and Communication & IT.

Bank Of Israel To Get First Woman Chief After Netanyahu Is Rebuffed By Larry Summers

Matthew Boesler, BUSINESS INSIDER Monday, October 21, 2013



In September, former U.S. Treasury Secretary Larry Summers was perceived to be President Obama's top choice to replace Ben Bernanke as the chairman of the Federal Reserve in January.

By September 15, however, he had withdrawn his name from the running.

"I have reluctantly concluded that any possible confirmation process for me would be acrimonious and would not serve the interest of the Federal Reserve, the Administration or, ultimately, the interests of the nation's ongoing economic recovery," said Summers in a letter to Obama.

Instead, Federal Reserve vice chairwoman Janet Yellen, who was widely seen in Congress and the media as the most qualified choice for the job, got the nomination.

According to reports, Israeli Prime Minister Benjamin Netanyahu also tried to get Summers for the top job at the Bank of Israel, but Summers turned him down, too.

"Former U.S. Treasury Secretary Lawrence Summers rejected an approach about taking charge of Israel's central bank after missing out on the Federal Reserve's top job, according to a person with knowledge of the appointment process," reports Bloomberg News correspondent Alisa Odenheimer. "Prime Minister Benjamin Netanyahu asked Summers to take the Bank of Israel job during his visit to the U.S. starting in late September, the person said, declining to be identified because of the issue's sensitivity."

Yesterday, Netanyahu nominated Karnit Flug as the first woman to become Governor of the Bank of Israel. She has led the central bank on an interim basis since July when former BoI chief Stanley Fischer stepped down.

Flug was hand-picked by Fischer himself, but according to Odenheimer, Netanyahu has come under fire for not nominating her sooner (perhaps because he was holding out for Summers):

Fischer had chosen Flug as his deputy, and backed her as his successor. Netanyahu and his finance minister, Yair Lapid, have been criticized by Israeli lawmakers for repeatedly looking elsewhere before eventually giving Flug the job.

Shelly Yachimovich, leader of the opposition Labor Party, told Haaretz newspaper before the appointment that Netanyahu and Lapid "should go to the home of Dr. Karnit Flug to apologize and beg her to take the job."

"We were impressed with Dr. Flug's performance as head of the Bank of Israel in the past few months, and we are sure she will continue to help us lead the Israeli economy to new achievements amid the global economic turmoil," said Netanyahu in a statement.

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