



IN LIGHTER VEIN



## Sundry Thoughts

Your horoscope speaks of mixed fortunes..... a promotion followed by a transfer order..... !!!!!



I did not know that you have branches outside Mangalore also.... !!!!!

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## THE PLAINSPEAK

### OUR VOICE IN THE BOARD

As members may have now gathered, on 16<sup>th</sup> April, General Secretary Kaushik Ghosh was appointed Officer Director on the Board of Directors of Corporation Bank. The appointment is for a period of three years. This comes almost four months after I demitted that office on my retirement from the Bank's service. The appointment made by the Government of India is in pursuance of the concept of participative management.

The concept has been in operation in the public sector banks for almost three decades now although attempts were made by different bank managements to go against the spirit of the participative management. Such efforts were in the form of deliberate delay in submitting the panel given by the recognized officers' association, in the form of initiating disciplinary cases on flimsy grounds or by recommending the appointment of a handpicked officer as a Director. The issue was set at rest in the Writ Petition filed by AIBOC in 1989 by the Hon'ble Supreme Court which had held that the will of the majority union should be the deciding factor. I should also mention that in a couple of banks the post is still vacant for various reasons.

The institution of participative management is helpful to the Bank's management. The concern of the officers' community towards the institution is unexceptionable. This makes the officer representative's role in the Board very meaningful. Being a person from the grassroots he gets vital feedback from the field about the field level issues which require the attention of the policy makers. The decision making in the Board can be tempered with the knowledge of the ground level reality. He can perform the role of an independent director and give prudent counsel to the Board.

For the officers' fraternity their representative on the Board constitutes an effective voice. When related subjects come up for discussion in the meetings he can speak on their rights, on the administrative injustice, on the treatment, about

their difficulties and so on. All these have a bearing on their work and in turn morale. It is however, to be appreciated that Board is not the union platform; the issues pertaining to the constituency he represents can be raised generally when there is an agenda connected thereto. In exceptional circumstances there is an enabling provision which permits a director to raise an important issue although it is not on the agenda.

When our representative is appointed on the Board members have a lot of expectations from him. Herein is the need for them to appreciate his role.

They have also a major responsibility. If he has to discharge his role effectively in the best interest of the Bank he needs their support in different ways. They need to supply him vital and relevant information on all matters affecting the Bank and members. Such information has to be provided in time. It should be reliable and authentic. It is said information is power and for a director it is all the more so.

Long back when I was on the Board, a compromise proposal for an NPA came up before the Board. I had information collected independently that the same borrower in a different incarnation had come out with a public issue for raising capital, which was oversubscribed. Agreeing for a compromise was unfair. When I raised the issue the CMD assured to get the matter re-examined. The Bank took it up with the borrower who promptly agreed to clear the entire liability. In the next meeting CMD went on record about the feedback I had given.

The position of director causes embarrassment as well. Suddenly colleagues find rare qualities in him! He becomes a darling to many! A person who seldom talked to me called me up on my birth day to wish me! But once he ceases to hold the position such feigned closeness automatically evaporates.

- **TRB**

[The views are personal]

## HEALTH WATCH

## BRAIN TUMOR

- Dr. Manoj Durairaj

It is defined as any intracranial tumor created by abnormal and uncontrolled cell division, normally either in the brain itself (neurons, glial cell, astrocytes, oligodendrocytes, ependymal cells), lymphatic tissue, blood vessels), in the cranial nerves (myelin-producing Schwann cells), in the brain envelopes (meninges), skull, pituitary and pineal gland or spread from cancers primarily located in other organs (metastatic tumors).

**Signs and symptoms**

Symptoms of brain tumors may depend on two factors: tumor size (volume) and tumor location. The time point of symptom onset in the course of disease correlates in many cases with the nature of the tumor ("benign", i.e. slow-growing/ late symptom onset, or malignant, fast growing/ early symptom onset) is a frequent reason for seeking medical attention in brain tumor cases.

Large tumors or tumors with extensive perifocal swelling edema inevitably lead to elevated intracranial pressure (intracranial hypertension), which translates clinically into headaches, vomiting (sometimes without nausea), altered state of consciousness (somnia, coma), dilation of the pupil on the side of the lesion (anisocoria), papilledema (prominent optic disc at the funduscopic examination). However, even small tumors obstructing the passage of cerebrospinal fluid (CSF) may cause early signs of increased intracranial pressure. Increased intracranial pressure may result in herniation (i.e. displacement) of certain parts of the brain, such as the cerebellar tonsils or the temporal uncus, resulting in lethal brainstem compression. In young children, elevated intracranial pressure may cause an increase in the diameter of the skull and bulging of the fontanelles.

**Treatment and prognosis:**

Many meningiomas, with the exception of some tumors located at the skull base, can be successfully removed surgically. In more difficult cases, stereotactic radiosurgery, such as Gamma knife, Cyberknife or Novalis Tx radiosurgery, remains a viable option.

Most pituitary adenomas can be removed surgically, often using a minimally invasive approach through the nasal cavity and skull base (trans-nasal, trans-sphenoidal approach). Large pituitary adenomas

require a craniotomy (opening of the skull) for their removal. Radiotherapy, including stereotactic approaches, is reserved for the inoperable cases.

Although there is no generally accepted therapeutic management for primary brain tumors, a surgical attempt at tumor removal or at least cytoreduction (that is, removal of as much tumor as possible, in order to reduce the number of tumor cells available for proliferation) is considered in most cases. However, due to the infiltrative nature of these lesions, tumor recurrence, even following an apparently complete surgical removal, is not uncommon.

Patients with benign gliomas may survive for many years, while survival in most cases of glioblastoma multiforme is limited to a few months after diagnosis if treatment is ignored.

The main treatment option for single metastatic tumors is surgical removal, followed by radiotherapy and /or chemotherapy. Multiple metastatic tumors are generally treated with radiotherapy and chemotherapy. Stereotactic radiosurgery (SRS), such as Gamma Knife, Cyberknife or Novalis Tx, radiosurgery, remains a viable option. However, the prognosis in such cases is determined by the primary tumor, and it is generally poor.

Radiotherapy is the most common treatment for secondary cancer brain tumors. The amount of radiotherapy depends on the size of the area of the brain affected by cancer. Conventional external beam whole brain radiotherapy treatment (WBRT) or 'whole brain irradiation' may be suggested if there is a risk that other secondary tumors will develop in the future. Stereotactic radiotherapy is usually recommended in cases of under three small secondary brain tumors.

**Brain tumors in infants and children**

In children under 2, about 70% of brain tumors are medulloblastoma, ependymoma, and low-grade glioma. Less commonly, and seen usually in infants, are teratoma and atypical teratoid rhabdoid tumor. Germ cell tumors, including teratoma, make up just 3% of pediatric primary brain tumors, but the worldwide incidence varies significantly.

*Source: Herald of Health, March 2010*

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## THE CULT OF THE FACELESS BOSS

Too many chief executives are instantly forgettable. It's the flamboyant, visionary bosses who change the world.

The European Union is not the only institution that prefers faceless technocrats to people with star power. The corporate world is increasingly rejecting imperial chief executives in favour of anonymous managers—bland and boring men and women who can hardly get themselves noticed at cocktail parties, let alone stop the traffic in Moscow and Beijing.

Some of the world's most powerful bosses are striking mainly for their blandness: Sam Palmisano at IBM, Tony Hayward at BP, Terry Leahy at Tesco, Vittorio Colao at Vodafone. These men are at the head of a vast army of even more forgettable bosses. Watch the parade of chief executives who appear on CNBC every day, or drop into a high-powered conference, and you begin to wonder whether cloning is more advanced than scientists are letting on. It is true that there are a few more women and members of ethnic minorities at the top of companies than there used to be. But physical diversity has not translated into cultural diversity or intellectual vitality. Almost without exception, today's bosses spout the same tired old management clichés — about the merits of doing well by doing right, the importance of valuing your workers, the virtues of sustainability and so forth.

The women who were profiled in a recent article in the FINANCIAL TIMES about the “top 50 women in world business” were every bit as adept with the cliché as their male colleagues. Indra Nooyi, the boss of PepsiCo, proclaimed that she spends her weekends “doing everything that normal people do”. Andrea Jung, the boss of Avon, said her biggest inspiration came from “Avon's six million sales representatives worldwide”.

The fashion for faceless chief executives is part of an understandable reaction against yesterday's imperial bosses, many of whom were vivid characters, capable of holding their own in a cocktail party with Tony Blair, but who collectively brought opprobrium on the system that let them shine. Some, such as Jeff Skilling of Enron and Tyco's

Dennis Kozlowski, broke the law and helped inspire a dramatic tightening of government regulation, in the form of the Sarbanes-Oxley legislation. Others, such as Home Depot's Bob Nardelli and Hewlett-Packard's Carly Fiorina, paid themselves like superstars but delivered dismal results.

The turbulent business climate is another factor that encourages today's chief executives to keep their heads down. Their average tenure has declined from ten years in the 1970s to six years today, and boards are becoming ever more likely to sack bosses if they get out of line, particularly in Europe. The financial crisis has also produced a wave of popular fury about over-paid executives and their unaccountable ways. In this sort of climate it is not just the paranoid, but the faceless, who survive.

Facelessness — or at least humility — is also the height of fashion among management consultants and business gurus. Corporate headhunters are helping firms find “humble” bosses. Jim Collins, one of America's most popular gurus, argues that the best chief executives are not flamboyant visionaries but “humble, self-effacing, diligent and resolute souls”. Business journalists have taken to producing glowing profiles of self-effacing and self-denying bosses such as Haruka Nishimatsu, the boss of Japan Airlines, who travels to work on the bus and pays himself less than his pilots, and Mike Eskew, the former boss of UPS, who flew coach and shares an administrative assistant with three other people. It can only be a matter of time before somebody writes “The Management Secrets of Uriah Heep”: be ‘umble, be ever so ‘umble.

Yet there is surely a danger of taking all this too far. A low profile is no guarantee against corporate failure, as the former bosses of two companies lauded by Mr. Collins, Fannie Mae and Circuit City, can tell you. In general, the corporate world needs its flamboyant visionaries and raging egomaniacs rather more than its humble leaders and corporate civil servants. Think of the people who have shaped the modern business landscape, and “faceless” and “humble” are not the first words that come to mind.

[Source: *Economist.com*, Nov 12th 2009]

RBI has directed that the Banks **MUST NOT**, mandatorily, **obtain collateral security in the case of educational loans upto Rs.4.00 lacs.**

#### **6. Revision in Service Charges for issue of Solvency Certificate**

[Credit Division HO Cir. No.328/2010 dt. 22-04-10]

The Service charges for issue of Solvency Certificate for above Rs.75 lacs are revised downward as under with immediate effect:

<b>Amount</b>	<b>Existing Charges</b>	<b>Revised Charges</b>
Above Rs.75 lacs & upto Rs.1 cr.	Rs.30000	<b>Rs.25000</b>
Above Rs. 1 cr. & upto Rs.5 Cr.	Rs.30000 + Rs.500 per lakh [ Max. Rs.25 lacs]	<b>Rs.50000</b>
Above Rs.5 crores		<b>Rs.1.00 lac</b>

**Note: There is no change in service charges for issue of solvency certificates upto Rs.75 lacs.**

## **CLASS ROOM**

### **LIMITED LIABILITY PARTNERSHIP**

The government plans to encourage Limited Liability Partnerships - a flexible way of organising businesses - by allowing 49% Foreign Direct Investment. LLPs do not carry restrictions on the number of partners or the combination of services that an LLP can provide. Here's a ready-reckoner on LLPs for the uninitiated.

#### **What are the advantages enjoyed by LLPs?**

Unlike an unlimited partnership firm, no partner in an LLP is liable for independent or unauthorised acts of other partners. It gives individual partners a shield against joint liability created by another partner's negligence or misconduct. The basic difference between an LLP and a joint stock company lies in its flexibility to formulate its internal governance structure. The management-ownership divide inherent in a company is not there in an LLP. The compliance norms are much easier compared

with companies.

#### **Does it make sense to convert private companies into LLPs?**

The LLP format gives private companies the flexibility of expanding its members beyond 50 without converting itself into a public limited company. Converting a private company into an LLP is much easier than to form a public limited company. Such conversion provides the firm the benefits of minimal government intervention and less compliance requirements. Even a partnership can avail the benefits of expanding its business by converting itself into an LLP. The conversion of a private company or unlisted public company into an LLP will be exempt from tax, if the total sales or turnover or gross receipts of the company does not exceed Rs. 60 lakh in any of the three preceding years, as proposed by the Union Budget 2010.

#### **Will a partner be able to carry out commercial transactions with LLPs?**

A partner may lend money to and transact other businesses with the LLP and shall have the same rights and obligations with respect to the loan or other transactions as a person who is not a partner.

#### **Can LLPs carry out activities related to financing such as accepting deposits?**

Currently there is no regulation prohibiting LLP from carrying out activities related to NBFCs; but as a matter of precaution before initiating any such activity, it is advisable to contact Reserve Bank of India.

#### **Can foreigners incorporate LLPs?**

Yes, the LLP Act 2008 allows foreign nationals, including foreign companies & LLPs, to incorporate an LLP in India provided at least one designated partner is a resident of India. Such an LLP and its partners will have to comply with all relevant foreign exchange laws and rules therein.

[ Source: Economic Times, 12-03-2010]

Caution notice shall be issued to customers immediately after return of 3<sup>rd</sup> ECS mandate during the financial year in the prescribed format.

The policy document shall be circulated amongst the staff members for ready reference and compliance.

### **3. Handling Debit Cards and PINs at Branches** [ ITD -HO Cir No. 314/2010 dt. 19-04-10]

It has been observed that non-adhering to systems has resulted in frauds and the prevailing procedure is reiterated for strict compliance:

#### **Maintenance of undelivered Cards and PINs at the branches:**

On receiving the cards the same should be entered in "Returned Corp Convenience Card Register" under authentication by the concerned officer.

Cards and PINs should be kept in two separate boxes properly locked under joint custody in double lock in the strong room. Joint custodians should ensure that the balance cards on hand always tallies with the register.

Identify the customer before delivery of the card. Officer should satisfy himself about the reasons given by the customer for non-availability at the address before delivering the card. In case of change of address/ incomplete address, fresh address should be obtained and updated in the party master of the account.

Branch should contact customer and request him to collect the card. Wherever mobile number is available, SMS be sent to cardholders through FTS Centre.

Signature of the applicant to be obtained in the "Returned Corp Convenience Card Register" for having received the card.

The officer should ensure that the signature on the acknowledgement tallies with that in the system and thereafter he should be asked to sign on the signature panel on the back side of the card in the same style. Card should be delivered to him only thereafter.

### **Hotlisting of undelivered Cards and destroying of undelivered PIN**

If the branch is not able to contact the customer even after 45 days of receipt, the Branch Manager should hotlist the card thereby making it unusable.

Later if the customer contacts the branch, the Card should be first unblocked (CDU) through the system and the customer should be requested to use the card only after 2 days.

Any PIN mailer lying undelivered at the branches for more than a month should also be destroyed and if any customer approaches the branch later, a duplicate PIN mailer should be requested from the FTS Centre, Bangalore following the prescribed procedure.

### **4. Housing Loan - Need to obtain Title Deeds Directly from Sub-Registrar Office**

[ Retail Lending Division - HO cir. No.316/2010 dt. 20-04-10]

Wherever loan is sanctioned for purchase of a ready built house / flat, sale deed is executed and registered at Sub-Registrar Office on the date of disbursement of loan.

The Branch official shall be required to be present at Sub-Registrar office to collect the title deeds personally. An undertaking letter from the borrower authorizing the Bank to collect the title deeds / to forward original Sale Deed directly to the financing Branch shall be obtained.

Wherever title deeds are not collected on the date of registration, the Branch shall follow-up with the Sub-Registrar Office on regular basis till title deeds are received.

### **5. Corp Vidya Scheme: Should not insist for Collateral Securities for loans upto Rs.4.00 lacs** [ Retail Lending Division HO Cir. No.329/2010 dt. 22-04-10]

As per the existing guidelines, for Educational Loans upto Rs.4.00 lacs, collateral security shall not be insisted. It is observed by RBI that collateral security is being demanded by banks even for loan upto Rs.4.00 lacs.

## HIGHLIGHTS OF RBI ANNUAL MONETARY POLICY 2010-11

### Changes in Monetary Measures announced

- Bank Rate retained at 6.0%.
- Repo Rate raised by 25 bps to 5.25%, effective immediately.
- Reverse Repo Rate raised by 25 bps to 3.75%, effective immediately.
- Cash Reserve Ratio (CRR) raised by 25 bps to 6.0% of NDTL, effective fortnight beginning April 24, 2010.
- Statutory Liquidity Ratio (SLR) unchanged at 25% of NDTL.

The 25 bps hike in the CRR will reduce liquidity to an extent of Rs 12,500 Cr from the system.

With a view to meeting the increasing financing needs of infrastructure development, the RBI has proposed :

**To treat annuities under build-operate-transfer (BOT) model in respect of road/highway projects and toll collection rights**, where there are provisions to compensate the project sponsor if a certain level of traffic is not achieved, **as tangible securities** subject to the condition that banks' right to receive annuities and toll collection rights is legally enforceable and irrevocable.

Infrastructure loan accounts classified as sub-standard will attract a provisioning of 15% instead of the current prescription of 20%. To avail of this benefit of lower provisioning, banks should have in place an appropriate mechanism to escrow the cash flows and also have a clear and legal first claim on such cash flows.

## CIRCULAR ROUND UP

### 1. Obtention of Acknowledgement of Debts (AOD) [ CRMD HO Cir. No.275/2010 dt. 01-04-10]

It is necessary to obtain AODs once in three years confirming the outstanding balance in the loan account and also confirming the securities created by the loan agreements continue to be available to the Bank for due repayment of the loan.

Branches have to ensure not only updating of the AODs in the system as and when obtained but also keep the same along with the loan documents.

**Wrong reporting of Time Barred Debts (TBDs) will also be treated as Staff Lapses** and attracts appropriate action.

**Onus of setting the irregularities / shortcomings including the revival / closure of these TBDs will be the responsibility of the present Branch Head** and cannot put for the plea that these have occurred during predecessor's period.

### 2. Policy for dealing with frequent dishonour of Cheques / ECS mandates

[ Customer Service Division HO Cir. No. 296/2010 dt. 12-04-10]

ECS mandates shall not be accepted / no fresh cheque book shall be issued in respect of account where cheques / ECS mandates have been returned for want of funds on four occasions during a financial year OR failure to maintain prescribed minimum balance during two consecutive quarters in a financial year.

Such accounts will be considered for closure at the discretion of the Bank.

Undertaking from the account holder that sufficient funds will be maintained in the account to honour ECS mandates shall be obtained at the time of offering the facility.

Higher charges as prescribed from time to time shall be levied for discouraging frequent returns, if ECS mandates are returned more than 3 times in a financial year.

## BANKING ROUND UP

### T. M. Bhasin is Indian Bank Chairman

Mr. T. M. Bhasin was appointed as the Chairman and Managing Director of Indian Bank. He was earlier the Executive Director of United Bank of India. He succeeds Mr. M. S. Soundara Rajan who retired on 31<sup>st</sup> March.

- *Business Line, 02-04-10*

### Exim Bank gets CMD

TCA Ranganathan has been appointed as the Chairman and Managing Director of Export Import Bank of India (Exim Bank). Prior to it, Ranganathan was working as the Managing Director of State Bank of Bikaner & Jaipur.

- *Financial Express, 09-04-10*

### Bansal appointed United Bank ED

Mr S.L. Bansal has joined United Bank of India as the Executive Director effective from April 1. He succeeds Mr T.M. Bhasin who has moved to Indian Bank as Chairman and Managing Director. Prior to joining United Bank, Mr Bansal was heading the Retail Banking Department of Union Bank of India in Mumbai.

- *Business Line, 06-04-10*

### Base rate system to take effect from July 1

The Reserve Bank of India has asked banks not to charge any fee from existing borrowers wanting to switch from the current benchmark prime lending rate system to the proposed base rate system. The base rate system, which comes into effect from July 1, would be applicable for all new loans and for those old loans that come up for renewal. If existing borrowers want to switch to the new system before the expiry of the existing contracts, an option could be given to them on mutually agreed terms. Bringing significant respite to banks, the RBI, in its guidelines on base rate, said it would allow them leeway up to December-end to change the benchmark and methodology for computing the base rate. This flexibility will allow banks to adjust suitably their

base rates so that they are not out of sync with the general trend. Else, bankers fear that banks with lower base rates would corner most of the business. Though banks have been given an illustrative methodology for the computation of the base rate, the central bank, in its latest guidelines, said they were free to use any other methodology, provided it was consistent and was made available for supervisory review/scrutiny, as and when required.

- *Economic Times, 10-04-10*

### RBI relaxes rules for asset classification

RBI has eased asset classification (infrastructure and project loan) guidelines, which in turn will lower the amount of bad loans in the books of banks.

RBI has increased the grace period for classifying them as a Standard Asset provided the borrower continues to pay.

In case of infrastructure projects, RBI has increased the grace period to a total of four years if the reason for delay in starting production is because of arbitration proceeding or a court case and to three years if the delay is for reasons beyond the control of promoters. For project loans, RBI has extended the grace period to one year from six months from the original date of commencement of commercial operations (DCCO).

RBI has clarified that this dispensation will not be applicable for commercial real estate, consumer loans, capital market exposure and personal loans.

The central bank has also increased the provisioning requirements on Standard Assets if banks choose to extend the grace period in case of project and infrastructure loans. If the grace period is six months from DCCO, the bank will have to provide standard provision of 0.40%, but if it gives a grace period of one year, the standard provision would be 1%. In case of infrastructure loans, if the grace period is two years, standard provision would be 0.40% and beyond two years is 1%.

- *Economic Times, 03-04-10*

retail, a chasm separates housing from credit cards. The answer would be to have a BPLR for each business segment. But, then, we would end up creating a clutter in the name of transparency.

The group concluded, therefore, that we need to move away from the very concept of BPLR. Instead, it opted for a reference rate called the base rate, which could serve as the basis for loan pricing. The base rate is arrived at after taking into account the one-year card rate for retail deposits (adjusted for current and savings accounts and costs of statutory requirements), the unallocatable operating costs and return on net worth.

Why not include all operating costs in the base rate? If we did, we might end up with a large dispersion in the base rate, given the differences in operating costs between banks. The market would perceive banks at the upper end of the range as hugely inefficient and this could undermine confidence in them. In the scheme proposed, the dispersion would be narrower.

Banks can now arrive at the lending rate by adding to the base rate other elements: credit and tenor risks and product-specific operating costs. As the base rate represents the minimum rate, the question of sub-base lending should not arise. However, the

group recognised that there could be short-term opportunities for lending below the base rate. So, loans of less than one year are not subject to the base rate.

At the same time, we thought it appropriate to limit such lending to 15% of incremental loans in any year. This need not be seen as regulatory overkill. It is elementary risk management for banks to have a ceiling on sub-base lending. The ceiling also ensures that banks don't set their base rate unduly high by manipulating cost elements.

The group recommended doing away with administered rates on small loans. Banks have stopped lending to this category. If they can charge appropriate interest rates, they would be more inclined to lend. A modest degree of regulation remains for two important categories: exports and education loans.

The switch from BPLR to a base rate should make lending rates more transparent and more responsive to monetary policy. Hopefully, it should also cause lending rates to settle at lower levels than today.

*[The author is a faculty at IIM Ahmedabad. The above article appeared in Economic Times dated 29-10-2009]*

### THE FUTURE OF COMPETITION

A profound (but silent) transformation of our society is afoot. Our industrial society is generating more goods and services than at any point in history, delivering through an ever-growing number of channels. Superstores, boutiques, online retailers and discount stores proliferate, offering thousands of distinct products and services... Am I buying the right digital camera? Am I signing up for the right service? Simultaneously, thanks to the propagation of cell phones, websites and media channels, consumers have increased access to more information, at greater speed and lower cost, than ever before. But who has the leisure and the proficiency needed to sort through and evaluate all these products and services?

The burgeoning complexity of offerings, as well as the associated risks and rewards, confound and frustrate most time-starved consumers. Product variety has not necessarily resulted in better consumer experiences. Advances in digitization, biotechnology and smart materials are increasing opportunities to create fundamentally new products and services and transform business. Major discontinuities in the competitive landscape, globalization, industry deregulation and technology convergence are blurring industry boundaries and product definitions.... At the same time, competition is intensifying and profit margins are shrinking. Managers can no longer focus solely on costs, product and process quality, speed and efficiency.

*K. Prahlad*

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## A NEW PARADIGM FOR LENDING RATES

- Prof. T. T. Ram Mohan

You expect banks to price their loans correctly. They can't afford to under-price their loans because then they are not covering their risks. They can't over-price their loans either because, in a competitive market, they would lose customers. Yet, the astonishing truth is that banks don't get the pricing of their credit products right. That, after all, is one of the important issues thrown up by the sub-prime crisis.

There are good reasons for regulators to lay down guidelines for loan pricing. First, banking has an anti-competitive character to it because entry into banking is not free. Secondly, customers cannot easily switch from one bank to another — as they can with, say, soap or biscuit — because there are “switching costs”. Thirdly, bank management has incentives to price loans incorrectly in the short-run because the costs of failure only show up over a long period.

In India, the RBI, which has shown itself ahead of the regulatory curve in many ways, has long had guidelines for loan pricing in place. Since April 2003, banks in India have been required to compute a benchmark prime lending rate (BPLR) and indicate the minimum and maximum lending rates.

The BPLR is the rate offered to the best borrower, so one would not expect any loans to be made below the BPLR. It is a floating rate, so it should respond to changes in the RBI's policy rates. Neither expectation has been met for several years now. Sub-BPLR lending has become the norm — nearly 70% of all loans are today below the BPLR. Lending rates don't fall when the RBI cuts policy rates.

There are other problems. Banks would rather adjust discounts to the BPLR than change the BPLR itself. As a result, borrowers think lending rates aren't transparent enough. It is difficult for the RBI to get a clear picture of trends in lending rates by looking at BPLRs. The range of banks' BPLRs is pretty wide. Clearly, we need a system that is more transparent, more responsive to monetary policy and that ensures that lending rates of banks adequately

cover costs. Last June, the RBI constituted a working group on BPLR. The group submitted its report on October 20. I was a member.

We were quick to realise that many of the problems with the existing system are built into the very formula for BPLR. The BPLR today is based on the actual cost of funds, operating costs and a margin to cover provisioning and profit. The actual cost of funds is the weighted average of all historical costs.

When the policy rate declines, only *incremental* costs change significantly and the actual cost of funds changes very slightly. Banks cannot afford to lower their BPLR as that would translate into lower rates on the entire loan portfolio. Rates can fall only on incremental loans.

Many banks fixed their BPLR at a time when the cost of funds was high. Thereafter, as incremental costs fell, banks kept the BPLR unchanged and passed on the benefit to incremental borrowers through sub-BPLR rates. The present situation, where 70% of loans are below BPLR, is the logical culmination of this process.

Clearly, sub-BPLR lending cannot end as long as lending rates are based on historical costs. They need to be forward-looking. Since most of the loans today are for one year or more, the one-year deposit rate is the appropriate choice for a forward-looking cost.

Would a PLR that is linked to the one-year deposit rate address the sub-BPLR problem? Not quite. We have to reckon with another element in the pricing formula, operating costs. The operating cost used in the PLR formula is an average. For some products, such as housing loans, the operating costs are much lower than the average. The lending rates for such products would, therefore, end up lower than the PLR and, again, we would have sub-BPLR lending.

Having two BPLRs, one for wholesale and another for retail, does not solve the problem either. Within wholesale, there is a big difference in operating costs for large corporates and for small enterprises. In

## RETIREMENTS

The following members retired from the services of the Bank on 30<sup>th</sup> April 2010 on attaining the age of superannuation:

### 1. Mr. B. Sridhara Shenoy, Manager, Communication Cell - HO

Mr. Shenoy joined the Bank as a clerk in 1972 and was promoted to officer cadre in 1977. He was promoted to MMG Scale-II in 1985. During 38 years of service, he worked in Tellicherry, Ernakulam, Kochi, Pandanad, Kanhangad, Thrivananthapuram, Quilon, Mangalore - ZO and BPDD-HO.

### 2. Mr. H. M. Divakara, Hassan - ZO Marketing Retail Sales Unit

Mr. Divakara joined the Bank as a clerk in 1972 and was promoted to officer cadre in 1981. He was promoted to MMG Scale-II in 1991 and to Scale-III in 1994.

During 37 years of service, he worked in Kanhangad, Bangalore - RO, Head Office - Credit Division, HRD, Kadandale, Hubli Aravindnagar, Mumbai - Kandivli, Ghatkopar, ZO-Goa, BE & SSD - HO and Madikeri.

### 3. Mr. Ram Mehar, Manager, Gurgaon

Mr. Mehar joined the Bank as a clerk in 1987. He was promoted to officer cadre in 1996 and to MMG Scale-II in 2008.

During 23 years of service in the bank, he worked in Delhi-Chandni Chowk, New Delhi-Karol Bagh, Bahadurgarh, Nangloi Jat, New Delhi - Paschim Vihar, Rohtak, Gurgaon-Maruti Kunj, Jhajjar and Badli.

*CBOO while acknowledging their support and co-operation wishes them a happy, contended and active retired life.*

## AIBOC NEWS

### COM. K. Anandakumar appointed Officer Director in IOB

Com. K. Anandakumar, General Secretary, Indian Overseas Bank Officers' Association, has been appointed as Officer-Director on the Board of Indian Overseas Bank w.e.f. 26<sup>th</sup> March 2010 for a period of 3 years.

*CBOO while congratulating Mr. Anandakumar wishes him all success in his new assignment.*

## CORPORATION BANK: HIGHLIGHTS OF AUDITED FINANCIAL RESULTS FOR MARCH 2010

The following are the highlights of performance of our Bank over March 2009:

- Bank surpasses a milestone in net profit, net profit stood at Rs.1170 crores.
- Bank's networth crossed Rs.5000 crore mark, stood at Rs.5774.87 crores
- Total business crosses Rs.150,000 crore mark, total business stood at Rs.155,936 crores recording a growth of 27.30%
- Savings Bank Deposits went up to Rs.13,025 crores registering a growth of 29.10%.
- Term Deposits stood at Rs.66,255 crores recording a growth of 30.63%
- Net Interest Margin ( NIM ) stood at 2.41% when compared to 2.43% last year.
- Non-Interest income recorded a growth of 7.15%; non-interest income under core areas went upto Rs.645.82 crore registering a growth of 43.87%
- Cost of deposits came down from 7.02% to 5.95%
- CRAR improved from 13.75% to 15.18%
- EPS went up from Rs.62.24 to Rs.81.58
- Return on Equity went up from 18.23% to 20.26%
- Staff expenses to Average Working Funds came down from 0.74% to 0.69%
- Net profit per employee went up from Rs.7.64 lacs to Rs.9.52 lacs
- Income per employee went up from Rs.61.43 lacs to Rs.69.00 lacs
- Average Business per Employee increased from Rs.844.98 lacs to Rs.1032.49 lacs

### Areas of Concern:

- > Current Deposits went upto Rs.26,478 crores recording a marginal growth of 2.12%
- > Yield on advances came down from 10.82% to Rs.9.90%
- > Net NPA ratio went up from 0.29% to 0.31%
- > Gross NPAs went up from Rs.559 cr. To Rs.651 cr.

celebrations of AIBOC attended the meeting. In his address he recalled the support provided by Tamil Nadu unit to him as an office bearer and called upon the members to actively involve in organizational activities.

Members raised a number of queries regarding wage

revision, officiating allowance etc. which were replied by the President.

Meeting ended with vote of thanks by V. S. Murugan, Dy. Reg. Secretary. About 75 members attended the meeting.

— *B. Sridhar, Regional Secretary*

## SWASTI

### SWASTI DONATES SEWING MACHINES TO TAMILNADU HANDICAPPED FEDERATION CHARITABLE TRUST.

SWASTI donated sewing machines costing about Rs.45,000/- to Kanchipuram Disabled People's Association, Kannaginagar an affiliate of Tamil Nadu Handicapped Federation Charitable Trust, Chennai in a function held at 6th Nizhal Salai, Near O.P.Police Station, Kannaginagar, Chennai on 10<sup>th</sup> April. Nearly 60 disabled people participated in the programme.

Tamil Nadu Handicapped Federation Charitable Trust, Chennai is a registered non-profit, social service organization working for the welfare of disabled. It was established in the year 2000 by disabled persons for the benefit of disabled. Their total membership is 1,20,000 consisting a network of 29 district associations.

R.Anbalagan, Regional Chairman, B.Sridhar, Regional Secretary, V.S. Murugan, Deputy Regional Secretary and Dilipan, V.S. Narayanan, activists were present at the function representing SWASTI. Besides, Mr.Paramasivam, Ward Councillor, Mr.G.Chidambaranathan, President, TNHFCT, Ms. Arunadevi, Convenor, Disabled Women's Rights Movement, Mrs. Sangeetha, Project Co-ordinator, TNHFCT, Ms.Olga, ANWORD, Mrs. Rukmani from Kanchipuram Disabled People's Association were also present at the programme.

Mr.Manoharan, President, Kancheepuram Disabled Welfare Association welcomed the gathering.

B.Sridhar, Regional Secretary handed over the 6 sewing machines and 2 over lock machines (hand machines) to the representatives of the Association.

R.Anbalagan, Regional Chairman spoke on the activities of SWASTI.

G. Chidambaranathan, Managing Trustee in his address stressed the importance of team work. He thanked SWASTI for the gesture.

Ms.Devayani, Member, Kancheepuram Disabled Welfare Association proposed a vote of thanks.

— *B. Sridhar, Regional Secretary*



Swasti representatives (R to L), Narayanan, R. Anbalagan, B. Shridhar alongwith representatives of Tamil Nadu Handicapped Federation Charitable Trust



Regional functionaries alongwith the beneficiaries



Beneficiaries seen with sewing machine donated by Swasti

## CBOO NEWS

### BRANCH VISITS

#### Chennai

D. N. Prakash, President accompanied by R. Anbalagan, Regional Chairman, B. Sridhar, Regional Secretary and V. S. Murugan, Dy. Reg. Secretary visited Palavakkam, Velachery - Micro Finance, Kodambakkam, Chennai - Retail Asset Hub, Zonal Audit Office, STC and George Town branch on 23<sup>rd</sup> April. They also visited the newly purchased officers' quarters at Guindy.

- B. Sridhar, Regional Secretary

### MEETINGS

#### Hassan

A meeting of members was held at Hotel Sri Krishna, Hassan on 21<sup>st</sup> March. The meeting was arranged coinciding with the visit of General Secretary, Kaushik Ghosh.

Prasanna Kumar, Dy. Regional Secretary welcomed the gathering.

Regional Chairman, Sathyasha K. S. while addressing the members emphasized the need to follow systems and procedures and not to act on oral / telephonic instructions unless the same was followed in writing. He cited the examples of a few colleagues who have landed in trouble by following oral instructions of higher-ups. He called upon the members to update their knowledge which will help to protect themselves as well as the Bank.

General Secretary, Kaushik Ghosh in his address dealt with the present relationship with the Management, efforts being made by the Management to de-unionise the officers quoting decades old guidelines of the Ministry and its effects on the morale of officers. Quoting the recent circular regarding recording non-performance of branch and Zonal Heads, he stated that it will further demoralize the officers and may not yield the desired results. He also briefed the members about the developments regarding wage settlement, pension option etc. He called upon the members to attend the 18<sup>th</sup> All India Conference to be held at Kochi on 15<sup>th</sup> & 16<sup>th</sup> August and make it a grand success.

In the open session, the members raised the following issues:

- a) Problems in cash remittance
- b) Fake notes in circulation
- c) Debits raised by the Currency Chest on branches
- d) NPA recovery
- e) Acute Staff Shortage.

General Secretary advised the members to follow the guidelines regarding cash management scrupulously and take up the issue of supplying fake note detecting machine with Zonal Office. Regional Secretary requested the members to furnish the position of manpower vis-à-vis sanctioned strength and actual strength so as to enable the Regional Unit to take up the issue with the Zonal Office.

Regional Secretary informed the members about the Regional Conference to be held in the second week of June. He requested the members to inform the Regional representatives whenever any new officer joins their office.

More than 50 members attended the meeting.

The meeting concluded with vote of thanks by Regional Secretary.

- B. P. Devaraj, Regional Secretary

#### Chennai

A meeting of officers was held on 23<sup>rd</sup> April at V.M.A. Mini Hall, Chennai.

R. Anbalagan, Regional Chairman welcomed the gathering. B. Sridhar, Regional Secretary informed about the membership development, purchasing of officers' quarters, renovation of the Zonal Office and activities under Swasti conducted recently.

D. N. Prakash, President in his address briefed the members about the relationship with the Management, wage revision and pension option etc. He also informed the members about the 18<sup>th</sup> All India General Body meeting to be held at Kochi on 15<sup>th</sup> and 16<sup>th</sup> August this year and called upon them to participate it in large numbers and make it a grand success.

T. R. Bhat, former Chairman, CBOO who was in the city in connection with the Silver Jubilee

## KAUSHIK GHOSH APPOINTED OFFICER DIRECTOR

We are happy to inform that our nominee on the panel for appointment of Officer Director, Mr. Kaushik Ghosh has been appointed Officer Director by the Government of India w. e. f. 16th April 2010 for a period of 3 years. The vacuum which arose on account of retirement of our earlier nominee, Mr. T. R. Bhat stands filled after a gap of nearly four months.



Mr. Kaushik Kumar Ghosh was born on 5th July 1955 at Cuttack to late Mr. Kartic Ghosh . He completed his Graduation in Commerce in 1974. Later he completed his Bachelor Degree in Law in 1977. He enrolled as an advocate and started his practice at the Hon'ble High Court of Orissa. The turning point came when he applied for the post of Legal Officer in our Bank.

He joined the Bank at its HO as a Probationary Law Officer in 1985. Later he was transferred to RO-Kolkata in 1989 and worked till 1995. He was promoted to MMG Scale-II as Manager in 1994. Presently he is working as Manager in Legal Service Division at Head Office.

Mr. Ghosh is happily married to Ms. Bharathi and has one son, Mr. Kushal Ghosh, an Engineer (B.Tech.), presently working for M/s. Adobe International at Delhi.

Mr. Ghosh started his organizational journey in 1991. During the last 19 years he served CBOO in different capacities. He was Regional Secretary, Kolkata during 1991 to 1995 (for two terms); Deputy General Secretary during 1998 to 2004 (for two terms) and Vice President during 2004 to 2007. In the General Body Meeting held at Mangalore in 2007 he was elected General Secretary and took over the mantle of leadership from the undersigned.

Mr. Ghosh as a person is very pleasant. He demonstrated his leadership skills right from the tenure as Regional Secretary of Kolkata. Under his leadership the Unit had grown from strength to strength. His professional expertise was fully made available to the officers' community when he took over as Deputy General Secretary looking after disciplinary cases. He could rescue many a colleague from extreme punishments by his mastery over

disciplinary proceedings. His arguments and persuasion many a time have resulted in reducing the rigour of punishment of colleagues who were subjected to disciplinary proceedings.

His appointment as Officer Director has come at a crucial juncture. I am sure that he will uphold the tradition CBOO has built over the years as a constructive partner in progress in the Bank and he will discharge his new role with distinction. In his journey, he requires help from all of us in the form of feedback. If Mr. Ghosh has to represent the voice of officers in the Bank's top - most policy making body, he requires support and co-operation from all of us. Let us join together and provide him with regular feedback so that he comes out successful in his new role.

On behalf of the entire officers' community and on my personal behalf I wish Mr. Ghosh all success in his new assignment. Let us extend all support to him so that he will be able to discharge his role smoothly and efficiently. Once again I wish Mr. Ghosh all the best in his new assignment.

- Editor

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*Organisation vibrant and progressive. Members on their part should discharge their sacred duty by ensuring their presence at the Conference and participating actively in the deliberations. They should also render a helping hand to the Regional Unit in conducting the Conference.*

*There is a feeling that the leadership of trade unions is always in the hands of aged leaders. But CBOO has been a trade union with a difference and continuously promoted leadership from amongst youngsters. Most of the present leaders had served in Regional Units at different places in different capacities and later members elected them to serve at higher positions. That is how you could find a mixture of seniors as well as comparatively juniors among the present leadership. This has also helped the Organisation in developing second line leadership.*

*After the advent of globalisation and liberalization of financial sector, the trade unions have been at the receiving end. The glitter of high compensation, talk of union-less office as a part of privatisation culture, larger and larger opportunities to switch jobs etc. have created a feeling that Unions are not required among the work force joining different industries. Banking sector was not immune from this. It was felt that the new entrants who joined the banking industry were showing least interest in union activities. However, after the financial crisis in the west which rendered thousands jobless, world over workers have realized the importance of job security and need for unionism. In India too, the need for unionism is being felt by employees in every industry. In the banking industry it is being felt more as the Managements have reinvented the practices of 1960s like unlimited working hours, refusal of leave, inhuman treatment etc.*

*In this background, Regional Conferences provide an opportunity to plan for the future*

*organizational building. Here the role of the younger generation is going to be very vital. If the Organisation has to survive and continue as a vibrant Organisation, their involvement is going to be a critical factor. Organisation is looking up to the younger members to take active role in the Organisation. Taking up organizational responsibilities will involve a little amount of sacrifice. You may also have to forgo personal time which other wise would have been spent on your family or self.*

*It is generally observed that everyone wants Organisation to do a lot many things. But we should remember that Organisation is not an individual but a group of individuals collectively working towards common goals. If everyone thinks that someone else should do the organizational work, then there will be none at the end. It is worth remembering the words of the famous German anti-Nazi Theologian, Pastor Friedrich Gustav Emil Martin Niemoller (1892-1984) about the inactivity of German intellectuals when the Nazis rose to power and purged the chosen targets, group after group:*

*“THEY CAME FIRST for the Communists,  
and I didn't speak up because I wasn't a Communist.*

*THEN THEY CAME for the Jews,  
and I didn't speak up because I wasn't a Jew.*

*THEN THEY CAME for the trade unionists,  
and I didn't speak up because I wasn't a trade unionist.*

*THEN THEY CAME for me  
**and by that time no one was left to speak up.”***

*The time has come for each one of us to speak and act and decide what we can do for building the future of this great Organisation as in its future lies ours. Do not expect the other man to do what is required to be done by each one of us. Let each one of us decide that I will lay at least one brick towards the organizational building process. This is the need of the hour in our own collective interest.*

**OV**



# OFFICERS' VOICE

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## Editorial

### A BRICK IN BUILDING YOUR FUTURE

*By the time this edition reaches you, you might have received the communication regarding the calendar for holding Regional Conferences as a prelude to the 18<sup>th</sup> All India General Body meeting scheduled to be held at Kochi on 15<sup>th</sup> and 16<sup>th</sup> August.*

*The decentralization of the organizational structure was first taken up in 1981 when the General Body held in that year decided to create regional set up commensurate with the Regions of the Bank. This was aimed at involving more and more members in the organizational activity and also to create better communication between the members and the Executive Committee. As part of the amendment, the Regional Secretaries were made ex-officio members of the Executive Committee so that the issues concerning members at the grass roots were properly deliberated and addressed at the highest forum.*

*If we look back, we could be proud that the experiment which started two decades back has not only yielded desired results but has paid rich dividends. Regional Units became the focal point for organizational activities. The feedback received from the Regional Units became a regular source of input for organizational decisions. Many of the*

*issues which were taken up with the Management originated from the Regions (Eg. Bank's quarters facility, conveyance reimbursement etc.) Hundreds of members contributed their mite in their capacity as members of the Regional Committees towards building this great Organisation. Many a leader emerged out of this exercise.*

*As per the Calendar for holding Regional Conferences approved by the Executive Committee, the Conferences will begin in the first week of June and the entire exercise is to be completed by last week of July. Regional Conference provides an opportunity for members to evaluate the performance of the Regional Unit; prepare strategies to further strengthen it and elect new leadership of their choice. Here there are certain obligations on the part of the present leadership as well as members.*

*A duty is cast on the present Regional level leadership to organize the Conferences in a befitting manner. Even though guidelines have been issued by the Central Office in this regard, it should be ensured that the Conference is conducted in a disciplined and democratic way. The leadership should also identify new talents for taking up the common cause, which is necessary to keep the*

P.T.O.

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