

Banking Policy and Trends

Policy Measures

3.17 The major policy measures taken in the current financial year as part of the annual monetary and credit policy statement, including its mid-term review, may be seen from Box 3.1. These include freedom for banks to lend at interest rates below their respective PLRs to exporters and other creditworthy borrowers (including public enterprises), permission to formulate fixed deposit schemes offering higher and fixed interest rates to senior citizens, flexibility in the composition of working capital as between cash credit and loan components, reduction in exposure limits for borrowers, revised guidelines for exposure of banks to capital market, and guidelines for investment in non-SLR securities through the private placement route. The initiatives specially aimed at strengthening the operational efficiency of banks relate to the Voluntary Retirement Scheme, the Banking Service Recruitment Boards, Credit Information Bureau, and enlargement of the reach and scope of the electronic funds transfer facility. These are discussed in brief below.

Voluntary Retirement Scheme (VRS)

3.17.1 VRS was implemented by 26 out of 27 public sector banks in 2000-2001. According to Indian Banks' Association (IBA), the total staff strength in public sector banks at the end of March 2000 was 8,63,188 out of whom 1,26,714 or 14.7 per cent applied for VRS. About 80 per cent of the number of applications were accepted, and the staff relieved under VRS until December 31, 2001 were 1,01,300. This constituted 11.7 per cent of the total staff strength at the end of March 2000. Banks were

advised by the Reserve Bank to treat the ex-gratia payment as deferred revenue expenditure (DRE), which would not be reduced from Tier I capital. The position will be regularised by the end of the accounting year in which the DRE gets totally wiped out. The maximum period of deferment has been fixed at five years, including the year of acceptance of VRS applications by the banks.

Banking Service Recruitment Boards

3.17.2 In pursuance of the announcement made by the Finance Minister in his Budget speech, the Banking Service Recruitment Boards (BSRBs) have been abolished. Accordingly, banks have been advised to frame their own recruitment strategies, with the approval of the respective Boards, to meet future requirements. While framing such strategies, banks are required to ensure, inter alia, that the recruitment policy is transparent and fair, with due representations of the members of SC/ST and minority communities in selection committees. Banks have also been advised to ensure that reservations in posts and related concessions/relaxations in fees and marks, as laid down by the Government of India, are strictly followed.

Electronic Funds Transfer (EFT)

3.17.3 EFT facilitates transfer of funds electronically within and across cities and between branches of a bank and across banks. EFT is operated by RBI, and is available for funds transferred across 13 major cities in the country as on January 11, 2002. With effect from October 1, 2001, large value transactions upto Rs. 2 crore have been permitted under EFT. Transfer of funds on a "same-day" basis was implemented effective from January 2, 2002 at the four metro centres with three settlements per day.