AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

# Bank unions call for all-India strike on August 22

PTI /TIMES OF INDIA

CHENNAI: Bank employee unions have called for a nation-wide strike on August 22 to protest against privatisation and merger of public sector banks, among other demands, a union leader said today.

The **All India Bank Employees Association (AIBEA),** which represents bank unions and employees of public and private sector banks, has called for a nation-wide strike on August 22 to press for various demands, its general secretary C H Venkatachalam said.

**Nearly 10 lakh employees would participate** in the strike to protest plans to privatise public sector banks, merger and consolidation of banks and other demands including not to write-off non-performing assets (NPAs) in banks, Venkatachalam said in a statement.

Some of the other demands put forth by the unions include **declaring wilful default of bank loans as criminal offence,** implementation of the recommendations of Parliamentary Committee on recovery of NPAs.

Giving some financials, Venkatachalam claimed that bad loans that were written off by State Bank of India group in the last five years stood at Rs 93,041 crore.

While bad loans by the country's largest public sector lender State Bank of India as of 2016-17 was Rs 20,339 crore, for SBI Group as a whole it was Rs 27,574 crore.

Stating that people should not be penalised for corporate default, he said after the proposed stir on August 22, a massive rally would be conducted on September 15. Sometime in October or November, continuous strike for two days would be conducted, he said.

# Bank unions threaten to strike work on Tuesday; services may be hit

Operations at private lenders expected to be normal

NEW DELHI, AUG 20: PTI/ BUSINESSLINE

Services at public sector banks may take a hit on Tuesday as all unions under the aegis of UFBU have threatened to go on strike against the government's proposed consolidation move besides raising a host of other demands.

Most banks have already informed their customers that the functioning of branches and offices will be hit if the strike takes off.

Operations at private lenders like ICICI Bank, HDFC Bank, Axis Bank and Kotak Mahindra Bank are expected to be normal except for delay in cheque clearances.

The United Forum of Bank Unions (UFBU) is an umbrella body of nine unions, including All India Bank Officers' Confederation (AIBOC), All India Bank Employees Association (AIBEA) and National Organisation of Bank Workers (NOBW).

"As the conciliation meeting before the Chief Labour Commissioner failed, unions are left with no other option but to go on strike. There was no assurance from the government and the management of banks," AIBOC General Secretary D T Franco said.

All attempts to hammer out solutions to the demands raised by the unions bore no fruit and hence, UFBU decided to proceed with the proposed strike on August 22, he said.

Other demands include no write-off policy for non-performing assets (NPAs) of corporate loans, declaring wilful default of loans as criminal offence and implementation of the recommendations of parliamentary committee on recovery of NPAs, AIBEA General Secretary C H Venkatchalam said.

He also suggested that banks should not pass on the burden of corporate NPAs on bank customers by hiking charges.

Venkatchalam said the government should abolish the Banks Board Bureau and ensure stringent measures to recover bad loans.

UFBU, which claims the membership of nearly 10 lakh across banks, also requested the government for cost reimbursement of demonetisation to banks.

# Bank unions to go on strike on August 22 to protest against proposed reforms

**Services are likely to be hit as about 10 lakh bankers in 1,32,000 branches will not work on Tuesday.**

Bank unions have decided to go on a nationwide strike on August 22 against the government's proposed reforms in the sector, reported PTI. Services are likely to be hit as about 10 lakh bankers in 1,32,000 branches will be on strike on Tuesday.

The decision to go strike was made after talks between the United Forum of Bank Unions, Indian Banks' Association, the chief labour commissioner and the Department of Financial Services failed on Friday.

"**We wanted an assurance from the prime minister and the finance minister that there will be no privatisation of banks and no mergers of public sector banks,"** CH Venkatachalam, the general secretary of **All India Bank Employees Association** told ***The Hindu***. "As no such assurance came at the conciliation meeting, we have decided to go ahead with the August 22 strike."

# Defaulters owe 27 percent of total amount to SBI alone, PNB next

**Together these two banks account for Rs 37,382 crore or 40 percent of the total outstanding loans.**

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Country's largest lender State Bank of India (SBI) accounts for over 27 percent of the total amount owed to public sector banks by wilful defaulters.

As many as 1,762 wilful defaulters owed Rs 25,104 crore to SBI as on March 31, putting pressure on its balance sheet.

Punjab National Bank (PNB) is next on the list with 1,120 wilful defaulters having outstanding non-performing assets (NPAs) or bad loans of Rs 12,278 crore.

Together these two banks account for Rs 37,382 crore or 40 percent of the total outstanding loans.

Total outstanding loans due to public sector banks by wilful defaulters amounted to Rs 92,376 crore, according to the Finance Ministry data.

The total outstanding loans by wilful defaulters rose to Rs 92,376 crore at the end of financial year 2016-17, from Rs 76,685 crore at the end of last fiscal 2015-16 - up 20.4 percent.

At the same time, there has been close to 10 percent increase in the number of wilful defaulters on annual basis. It increased to 8,915 at the end of March as against 8,167 in the previous fiscal.

Out of 8,915 cases of wilful defaults, banks have filed FIR (First Information Report) in 1,914 cases with outstanding loans of Rs 32,484 crore.

During 2016-17, 27 public sector banks, including SBI and its five associates had written off Rs 81,683 crore, the highest in the last five fiscals. The amount was 41 per cent higher than that in the previous fiscal.

Gross NPAs of the public sector banks rose to Rs 6.41 lakh crore at the end of March 2017 as against Rs 5.02 lakh crore a year ago.

In order to check incidences of wilful default, RBI has tightened the norms and made it clear that promoter of the defaulting company cannot escape from his responsibility even if he is not a whole time director.

As per earlier guidelines, a bank couldn't label a non- whole-time director of a company as a wilful defaulter unless there was conclusive evidence that the individual was aware of the wilful default by the company and had not objected to it.

A wilful default occurs when a borrower doesn't honour an obligation despite having the capacity to pay or siphons off funds by disposing of assets without the knowledge of the bank, according to RBI.

RBI has allowed banks to name and shame wilful defaulters by publishing their photographs.

# BAD LOANS IN BANKS

**Bank-wise ratios**

**Table 3: Bank-wise NPA ratio as of June 2017 (%)**

| Bank | NPA ratio | Bank | NPA ratio |
|---|---|---|---|
| IDBI Bank Ltd. | 24.11 | ICICI Bank Ltd. | 7.99 |
| Indian Overseas Bank | 23.60 | Vijaya Bank | 7.30 |
| UCO Bank | 19.87 | Indian Bank | 7.21 |
| Bank Of Maharashtra | 18.59 | Dhanlaxmi Bank Ltd. | 5.62 |
| Central Bank Of India | 18.23 | Axis Bank Ltd. | 5.03 |
| Dena Bank | 17.37 | The Karnataka Bank | 4.34 |
| United Bank of India | 17.17 | Karur Vysya Bank | 4.27 |
| Corporation Bank | 15.49 | IDFC Bank | 4.13 |
| Oriental Bank Of Commerce | 14.83 | The Lakshmi Vilas Bank | 3.78 |
| Allahabad Bank | 13.85 | The South Indian Bank | 3.61 |
| Punjab National Bank | 13.66 | City Union Bank | 3.05 |
| Andhra Bank | 13.33 | Kotak Mahindra Bank | 2.58 |
| Bank Of India | 13.05 | The Federal Bank | 2.42 |
| Union Bank Of India | 12.63 | DCB Bank | 1.74 |
| Bank Of Baroda | 11.40 | RBL Bank | 1.46 |
| Punjab & Sind Bank | 11.33 | HDFC Bank. | 1.24 |
| The Jammu & Kashmir Bank Ltd. | 10.79 | IndusInd Bank | 1.09 |
| Canara Bank | 10.56 | Yes Bank Ltd. | 0.97 |
| State Bank Of India | 9.97 | | |
| Syndicate Bank | 9.96 | | |

*Source: AceEquity,*

- The top 20 banks with highest NPA ratios are public sector banks (PSBs)
- The top 2 banks, namely IDBI Bank (24.11%) and Indian Overseas Bank (23.6%) have NPA ratios of over 20%
- Indian Bank is the PSB with lowest ratio of 7.21%.
- Top 8 banks have an NPA ratio of over 15% as of June 2017.
- YES Bank is the only bank with a ratio of just less than 1.

## BANKING REGULATIONS(AMENDMENT) BILL, 2017

## DEBATE IN PARLIAMENT

### SHRI TIRUCHI SIVA (TAMIL NADU):

Sir, this Bill allows the Reserve Bank of India to give directions to the banks to initiate action for recovery of the NPAs. My pertinent question, realizing the time constraint, is as to what was the necessity for an

Ordinance. Secondly, why must RBI be entrusted with this task? Can the Government not achieve this objective through the existing mechanism of Insolvency and Bankruptcy Code, 2016?

Moreover, Sir, 88 per cent of the NPAs are in public sector banks, to which the Government can, of course, issue directions. We have an apprehension and we are saying that the RBI need not be entrusted with this task because the RBI is a policy institution and giving this role to the RBI enables it to perform business functions which may act as an initiation of its expanding business role rather than policy role.

Sir, the RBI must be given only the role for issuing guidelines and not directions. This also exposes the RBI to be moved to courts in case of any dispute regarding NPAs. We suggest that you differentiate the role of the RBI from that of ordinary banks. The Bill should focus on addressing the NPA issue and how banks can effectively deal with it.

One suggestion which I would like to make to the Minister is this. I also spoke to him personally. Since the intention of the Bill is to come down very heavily on the NPAs, **kindly exempt the education loan from coming under NPAs. Student loans amount to only 6.9 per cent of the NPAs**. At least 70 per cent of the dalit and backward students are getting these loans and the loan amount is only five lakh rupees. If they come under NPA, they will be brought under CIBIL and that prevents or bans them from getting further loans.

Sir, we say that this country is rich with youth population. And if the youth, who has defaulted in repaying his education loan, intends to start a small-scale industry or become an entrepreneur, he would be denied the loan and this would increase unemployment and there will be anarchy. I request the Minister to have another nomenclature for it. Kindly don't bring education loan under NPAs and save students from disaster. Thank you very much, Sir.

**SHRI N. GOKULAKRISHNAN (PUDUCHERRY)**: Mr. Vice-Chairman, Sir, I thank you for giving me this opportunity to speak on the Banking Regulation (Amendment) Bill, 2017.

The Bill proposes to give more powers to the Reserve Bank of India to deal with the large accumulated Non-Performing Assets. It works out to Rs. 9.64 lakh crores as of December, 2016. Another Rs.2.0 lakh crores have been added during the first quarter of 2017.

According to the RBI, the **corporate sectors alone accounts for 88 per cent of the NPAs.**

The RBI data shows that **40-50 defaulters alone account for 70 per cent of the cases**, contributing to the stressed assets.

The **Banks may have to take a haircut of 60 per cent, worth Rs. 2.4 lakh crore, to settle 50 large stressed assets with debt of Rs.4 lakh crore**.

**Indian Banks need to provide, at least, Rs.18,000 crore** additionally towards the 12 accounts identified by the RBI for reference to the National Company Law Tribunal under the Insolvency and Bankruptcy Code in the financial year of 2018.

The **banks have written off a total of Rs.2.46 lakh crore worth of loans in the last five years** and this might have benefited a few people, but the waiving of agricultural loans surely benefits millions and millions of poor farmers and prevents suicides by them.

Therefore, the Centre should bear the entire burden of farmers' loan waiver scheme instead of putting the burden on the State Governments.

Sir, I would like to mention here one thing that the **farm loans account for only one per cent of bad debts**. However, there is a tendency to blame the loan waivers in the farm sectors. Being an agricultural economy, we can't blame farm loan waiver scheme alone for the erosion of 'honest credit culture'.

In several cases, factors operating at the global level, determine the local trade trends. Take the steel sector, for example, it accounts for 25 per cent of the corporate bad debts. But starting from 2010 till December, 2016, the Government of India allowed the free inflow of foreign steel products from Korea, Japan, China, etc., which offered low prices. The local manufacturers, who availed huge loans besides large investments, could not compete with them. The Government of India also did not come to their rescue through an effective EXIM Policy at that time. Consequently, they suffered heavy losses and ultimately they were pushed into the debt trap. This was the major reason for the huge default by this sector.

More important is the laxity in the credit risk appraisal and loan monitoring by the banks. For example, in the case of MSME sector, stringent collateral security is demanded.

But I do not know whether such credit risk appraisal norms are enforced for the corporate sector as in the case of the MSME sector. Even in the field of loan recovery, it is astonishing that so much concession and tolerance is shown towards the big players while the MSME, small and marginal farmers are being harassed. Sir, in retrospect, the troubled accounts fall into three categories: (1) Genuine and circumstantial defaulters; (2) Wilful defaulters and (3) Habitual offenders.

The genuine and circumstantial borrowers are unable to repay loans due to the downturn of the industry, largely conditioned by the global economic trends. Such people can be given time to perform provided their projects are viable, business models are robust and the chances of recovery are bright.

But in the case of the wilful defaulters, the institutional interventions like Joint Lenders Forum, Corporate Debt Restructuring, Strategic Debt Restructuring and Scheme for Sustainable Structuring of Stressed Assets are already in operation. The **performance of the Asset Reconstruction Companies,** which are mostly in the private sector, and which deal with NPAs, is **not satisfactory**.

While appreciating the current set of well-calibrated policy initiatives for resolution of stressed assets, the onus is now shifting towards the RBI in the recovery process. On the one hand, the borrowers would have to modify their priorities towards regular repayment of loans if they want to stay in the business and, on the other, the Bill offers great relief and freedom for bank managements also.

Hon. Vice-Chairman, Sir, in conclusion, the amended package empowers the RBI in regulating the process of resolving the stressed assets as well as the way of dealing with defaulters. The bad loan scenario in the country is certainly grim. Therefore, the resolve of the Government for tackling this problem through this Bill is a big boost to the Indian economy in general and to the banking sector, in particular.

Without a strong and healthy banking system, it is difficult for a developing country like India to become an economic super power. But, at the same time, without a time-bound, effective and fool-proof recovery system, it is doomsday for the sustainability of the banking sector. Now, with the passage of this Bill, it becomes the responsibility of the Reserve Bank, the public and private sector banks and the high profile borrowers to work in tandem and make it successful. With this, I conclude and support the Bill. Thank you, Sir.

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| AIBEA THIS DAY – 21 AUGUST | |
|---|---|
| **1929** | **Com. P S Sundaresan, former Vice President of AIBEA (date of birth)** |
| **1959** | **Com. Prabhat Kar, delivers powerful speech in the Lok Sabha on Nationalisation of Banks.** |
| **1993** | **Workshop for Directors organised at Bombay. Dr. B R Mehta, former Deputy Governor, RBI inaugurates.** |

**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