



Massive Morcha to Parliament by bank employees, officers on Sep 15 : C H Venkatachalam

Hyderabad, Sep 10 (UNI)

A massive Morcha to Parliament by Bank Employees and Officers will be held on September 15 against 'anti-people banking reform measures' initiated by the BJP-led NDA government at the Centre.

United Forum of Bank Unions (UFBU), an umbrella organization consisting of all bank unions and represents about 10 lakh employees and officers working in public sector banks, private banks, Regional Rural Banks, co-operative banks and foreign Banks will Organize a Morcha to Parliament and hold a Public Rally in New Delhi on September 15.

The Morcha will begin from Ram Leela Grounds in New Delhi around 10 hrs and culminate in the Public Rally around 12 noon at Parliament, AIBEA General Secretary C.H Venkatachalam, who is in Hyderabad, told UNI today.

The Morcha and Rally was to focus the concerns of the unions on the current issues relating to banks and to highlight the demands, **All India Bank Employees' Union (AIBEA) General Secretary Ch Venkatachalam and UFBU Convenor Sanjeevi K Bandlish** said today.

Mr Venkatachalam demanded the RBI to publish the list of loan defaulters of more than Rs 10 crore, take stringent measures to recover the bad loans and Amend recovery laws to expedite recovery of bad loans.

Stating that their demand is 'Save Banks–save economy–save nation–save people', he said the opposition to banking reforms by the Unions is due to in a developing country like India, Banks have an important role to play in the national economic development. After nationalization of banks in 1969, public sector banks have immensely contributed in this regard, he added.

On banks should not be privatised, the top Union leader said today banks have a total deposit of Rs 110 lakh crore. Privatising our Banks will result in handing over these huge, precious public savings to private hands and hence not advisable. The track record of private banks in our country is known to all. In the last 30 years, 30 private banks have collapsed due to mismanagement by private owners. To ensure safety to people's money in the Banks, public sector banks have to be strengthened and not privatized.

Mr Venkatachalam, opposing the merger of banks said, Compared to many countries in the world, banking density in India still very low. So we need expansion of banks and not consolidation. There are thousands of villages without access to banking facility. More branches are to be opened in these areas, he said and added that according to Government, mergers will make our Banks very big of global size. However, he said Big banks are always risky given the global experience. We cannot take such risk because banks deal with savings of common and poor people.

Touching on the unfair service charges and penalty charges by SBI and banks, the AIBEA General Secretary said SBI and some other Banks have reduced rate of interest of savings deposits. They have increased service charges and penal services are being collected for various types of normal banking services. Banks are waiving loans of big corporates and private companies, but the burden is put on the shoulder of general customers.

We are demanding review of this decision and withdrawal of these instructions, he said.

The Bank Unions propose to meet Prime Minister Narendra Modi and submit a memorandum to him on these issues, he said.

**MASSIVE MORCHA TO PARLIAMENT
15TH SEPTEMBER, 2017**

**CLARION CALL FROM
UNITED FORUM OF BANK UNIONS**

**SAVE BANKS – SAVE ECONOMY
SAVE NATION – SAVE PEOPLE**

**STOP ANTI-PEOPLE BANKING REFORMS
START PRO-PEOPLE BANKING POLICIES
STOP PRIVATISATION OF PUBLIC SECTOR BANKS
START STRENGTHENING PSBs
STOP MERGER AND AMALGAMATION OF BANKS
START EXPANSION OF PSBs
STOP WRITE OFF OF CORPORATE BAD LOANS
START RECOVERY OF BAD LOANS
STOP CONCESSIONS TO WILLFUL DEFAULTERS
START CRIMINAL ACTION ON THEM**

**BE A PART OF THE HISTORIC
MORCHA TO PARLIAMENT**

AIBEA – AIBOA



Mergers will divert banks focus on NPA recovery, says Indian Bank MD Kishor Kharat

KOLKATA: By Atmadip Ray 12 Sept 2017

THE ECONOMIC TIMES

Voices against public sector bank mergers are becoming louder.

After former Reserve Bank of India Governor Raghuram Rajan, here's now a public sector bank boss which has openly aired his views against forced mergers.

"It's not the right time for mergers," said Indian Bank Managing Director Kishor Kharat. He said that banks would neither get additional capital by way of merger nor there would be any reduction in non-performing assets (NPAs).

Indian banks in the public sector space are weighed down by steep rise in sticky loans leading to net loss for many lenders and shrinking of capital. About seven of 21 state-run lenders are under Reserve Bank of India's prompt corrective action plan.

"If merger is pushed (by the government), it will lead to further deterioration of banks' health. Our focus will be diverted," Kharat said in Kolkata at an event organised by Merchants' Chamber of Commerce & Industry.

The government is keen to reduce the number of public sector banks to 15 from 21 to ensure economies of scale. Finance minister Arun Jaitley said the objective of the merger is to create stronger bank Captains of bigger banks like Bank of Baroda, Canara Bank and Punjab National Bank are known to have set certain conditions if they are asked to acquire smaller banks to fulfil the government's agenda. They said that the target banks should be profit-making among other things.

Former RBI Governor Rajan said that banks are already weak and that it would make mergers even more problematic. "You have explain how it is going to be easy to do that. Why this is going to be helpful and not just another distraction which weakens the entire entity," he had said in a recent interview to ET.

Kharat said that weak banks need recapitalisation and NPA recovery as a priority. "If money from the top 100 NPA accounts can be recovered, a lot of stress will be eased."

Consolidation fiasco

SBI shows how mergers can be a wrong solution

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In May this year, while announcing the bank's dismal quarterly results for the fourth quarter of 2016-17, State Bank of India (SBI) Chairperson Arundhati Bhattacharya had talked about a "little more pain" that lay ahead in the near term. The fourth quarter results were the first quarterly performance of the merged entity comprising SBI, five associate banks and Bharatiya Mahila Bank (BMB) – a part of the government's consolidation drive. While it catapulted the country's largest lender to among the top 50 banks in the world, it also **weakened the original standalone entity considerably** in terms of non-performing assets (NPAs). As the first quarter results for the current financial year were announced last Friday, the **"little more pain" became a huge understatement.**

That the merger took a toll on the bank's recovery is evident from the sharp rise in slippages leading to higher provisions, which went up 91 percent year-on-year. It was obvious that SBI inherited a miserable portfolio of dubious corporate loans, which post-merger have swelled to 10 per cent of the total, while the percentage of net NPAs went up from 3.7 percent to 6 percent, quarter-on-quarter. It was no surprise that the deterioration in asset quality was essentially because of the merger with weaker banks. This is not the only worry for SBI.

The bank has yet to provide for Rs.30,000 crore of its Rs.50,000 crore exposure to 12 large corporate accounts that went bad. Also, SBI receives a huge portion of India's deposits – 23 per cent – and yet its lending growth has slowed to just 1.5 per cent in the June quarter. Responding to the pressure that such a scenario would create, SBI had recently lowered the interest rate for its depositors.

The unraveling of the SBI story has several **lessons for the government**, which till recently was reportedly waiting for the public

sector banks to announce their first quarter results before restarting the consolidation process.

For one, **past experience** of mergers such as that of New Bank of India with Punjab National Bank and Oriental Bank of Commerce taking over Global Trust Bank has shown how the **performance of the efficient bank is hampered as a result of ill-planned mergers**.

The **SBI episode is yet another example** of the same. What makes the prospects of future mergers worse is that unlike in SBI's case, where the conflicts and disparities of work culture might have been fewer, other banks may have to bridge a much bigger chasm in terms of making things work at an operational level.

For instance, a merger that brings about increased geographical reach for the merged entity also brings with it cultural differences. The truth is while public sector bank consolidation sounds good on paper, more often than not it is not so in reality.

The problems facing Indian public sector banks run deeper and mergers cannot provide a quick fix. The solution requires better recapitalization as well as governance reforms so that the banks do not repeat their mistakes.

NPAs: challenge is to avoid delays

Manojit Saha MUMBAI, SEPTEMBER 10, 2017 THE HINDU



Bankers worry that appeals to other courts and the work load at NCLT may push deadlines out further

On June 13, the Reserve Bank of India (RBI) came up with an advisory asking banks to file insolvency and bankruptcy proceedings for 12 loan accounts, in which banks had an exposure of more than ₹5,000 crore each. This constituted about 25% of the system's bad loans whose total is estimated at ₹7 lakh crore.

The central bank had asked banks to file bankruptcy cases with the National Companies Law Tribunal (NCLT) within June 30. The RBI had also advised banks to make higher provisions for these accounts to be referred to the Tribunal under the Insolvency and Bankruptcy Code (IBC). According to RBI deputy governor Viral Acharya, the move was intended to improve bank provision coverage ratios and to ensure that banks are fully protected against likely losses in the resolution process.

In the last week of August, RBI sent banks another list comprising 26 accounts, which they must resolve by December 31, failing which those cases have to be taken up for bankruptcy as well.

NCLT is expected to admit or reject a case within 14 days of a case being filed. However, bankers said the time taken by NCLT in some of the cases was beyond 14 days.

"It is still early days, but the number of bankruptcy cases which have been filed by operational as well as financial creditors is encouraging. Many cases have been admitted and the 180-day clock (extensible by a further 90 days) for these cases to resolve has already started," Mr. Acharya said in a speech last week.

The bell tolls

The clock starts ticking once a case is admitted. After a case is admitted, insolvency resolution professionals (IRP) are put on the job to find a resolution process. In case no resolution is possible within six months, another three months' extension can be given. However, if no resolution is reached even in extended period, the company goes for liquidation.

"Swift, time-bound resolution or liquidation of stressed assets will be critical for de-clogging bank balance sheets and for efficient reallocation of capital," RBI governor Urjit Patel had said recently at seminar on insolvency and bankruptcy.

The IBC , 2016 — which Mr. Patel describes as a watershed towards improving the credit culture of the country — was aimed at time bound resolution (or liquidation) of stressed assets.

The NCLT was constituted on June 1, 2016 with 10 benches and one principal bench. More than 1,000 cases have already been filed with the NCLT, of which more than 220 cases have been admitted. Over 900 insolvency professionals (IPs) have registered with the Insolvency and Bankruptcy Board of India (IBBI).

One of the key aspects of time-bound resolution is the infrastructure of the NCLT. Bankers and insolvency professionals said there is a need to beef up the infrastructure of NCLT as many cases apart from bankruptcy are also being filed at NCLT.

“The staff in NCLT is very limited,” said Ankur Srivastava, insolvency professional, Ezy Laws.

Separate bench needed

“Bench is under pressure because there are not enough number of Judges. The same bench will be hearing IBC matters, other company law matters, other merger matters, conversion of private limited company to public limited company — all issues are going to the same bench,” he said.

According to Mr. Srivastava, a separate bench for for insolvency and bankruptcy cases are the need of the hour.

“We need to have a separate bench for IBC matters. If... [we do], then this could solve the problem,” he said.

A recent report by Assocham and EY, titled ‘Experiencing the Code — Corporate Insolvency in India’, said that more than 200 proceedings are now ongoing with the National Company Law Tribunal and more than 900 insolvency professionals (IPs) have registered. Among sectors, metals and mining is at the top with over 50 cases, followed by engineering and construction (35), food, beverage and hospitality (27), power and electricity (20) and healthcare (7).

Observing that 'a major challenge foreseen for the Code was the tidal flow of cases to the NCLT', the report said, "In addition to new cases filed for resolution under IBC, there was a significant backlog of cases that were transferred from the CLB. Also, winding up cases with high courts, corporate recovery cases with the debt recovery tribunals (DRTs) and rehabilitation cases with the BIFR [Board for Industrial & Financial Reconstruction] were transferred to the NCLT."

There are discussions currently to increase the number of benches and change single-member benches to double-member benches.

Appeals add to delay

There could be other issues that add to the delays. Essar Steel filing a plea in the Gujarat High Court challenging the initiation of bankruptcy proceedings against the company, is an example.

"There is no provision under the code for going to the high court, but under the constitution of India the high court has the inherent power to accept the writ. But the good thing that happened in the Essar case is that the Gujarat High Court has not touched upon the provisions of the insolvency code. They just touched upon the issue as to whether the RBI is right in targeting just 12 accounts..., which should not lead to discrimination. The high court has not commented on insolvency *per se*," Mr. Srivastava pointed out.

The recent Supreme Court order which stayed the insolvency proceedings against real estate firm Jaypee Infratech is also worrying bankers.

"The fact that the NCLT proceedings are stalled..., anything that stops the time clock is not a good thing," said Abizer Diwanji, partner & national leader, Financial Services, Restructuring & Turnaround Services, EY.

According to Mr. Diwanji, one of the key challenges in insolvency proceedings is dealing with the insecurity of all the stakeholders.

"The challenge is the level of insecurity of all the stakeholders — financiers, promoters, banks and even IPs," he said.

"To deal with it, we need to develop a different set of capabilities. What is lacking is capability and not quantity.

"This is applicable for everyone — IPs, courts, NCLT judges — who need to be more pragmatic about decision-making. It will come with time. The quality that is required is not industry knowledge but managing all these people facing insecurity," Mr. Diwanji said.

The road ahead

The important question is whether the stakeholders will find a resolution within the required time frame, that is within six months plus another three months after the case has been admitted. If time-bound resolution does not happen, companies will go for liquidation. Most companies going into liquidation is a scenario that no one wants.

"Till now the timeline that was put out has been maintained. The tougher piece is ahead of us," Arundhati Bhattacharya, chairman, State Bank of India, the country's largest lender, told **The Hindu**.

"Because that is when we have to ask for bids and then the bids have to be evaluated and put up. The major piece is ahead of us," she said.

When asked if cases could be resolved in six months, Ms. Bhattacharya said, "Very difficult to say. At this point, we will keep our fingers crossed."

The Assocham-EY report also said the real test for IBC timelines would be to get cases resolved within a period of 180/270 days with all necessary approvals.

Centre okays Gratuity Bill to double tax-free benefit to Rs 20 lakh

The current upper ceiling on gratuity under the Act is Rs 10 lakh

Press Trust of India |BUSINESS STANDARD

New Delhi t September 12, 2017

The Centre today approved an amendment bill that seeks to double tax-free gratuity for formal sector employees to Rs 20 lakh.

"The Union Cabinet chaired by Prime Minister Narendra Modi has given its approval to introduction of the Payment of Gratuity (Amendment) Bill, 2017, in Parliament," an official statement said.

The amendment will put the maximum limit of gratuity of employees of the private sector as well as public undertakings and autonomous organisations under the government who are not covered under Central Civil Services (Pension) Rules, at par with central government employees, which is Rs 20 lakh.

The current upper ceiling on gratuity under the Act is Rs 10 lakh. The provisions for central government employees under Central Civil Services (Pension) Rules, 1972, with regard to gratuity are also similar.

Before implementation of the 7th Central Pay Commission, the ceiling under CCS (Pension) Rules, 1972, was Rs 10 lakh. However, post rollout, in the case of government servants, the ceiling stands at Rs 20 lakh, effective January 1, 2016.

Considering inflation and wage increase even in the case of employees engaged in the private sector, the government is of the view that the entitlement of gratuity should be revised for employees who are covered under the Payment of Gratuity Act, 1972.

Accordingly, the government initiated the process for amendment to the Payment of Gratuity Act, 1972, which applies to establishments employing 10 or more persons.

The main purpose for enacting this Act is to provide social security to workmen after retirement, whether it is because of rules of superannuation, or physical disablement or impairment of vital parts of the body.

Therefore, the Gratuity Act serves as a key social security legislation to wage earners in industries, factories and establishments.

AIBEA THIS DAY – 13 SEPTEMBER

1977	Two hours Strike -3 rd Bipartite proceedings.
1947	Com. C Gopinathan Nair, General Secretary, SBTEU (date of birth) Com. D K Chatterjee, Asst. Secretary, AIBEA (date of birth)
2007	Com. Lalitha Joshi Joint Secretary attends international Trade Union Conference on Working Women at Brussels, Belgium



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