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Editorial

NON-PERFORMING ASSETS

One of the major challenges that are coming before the UFBU and its constituents has been the plea taken by the IBA and the Government that the performance of the banks are not adequate to offer good compensation to the workforce in the banking industry. The representatives of the UFBU have been emphasizing the fact that the performance of the banks are not affected due to the working of the employees and officers but due to the huge NPA's standing in the name of the large corporate borrowers who have avoided paying their dues to the banks and thereby creating a huge outstanding in the form of Non-Performing Assets.

The issue of NPAs is assuming tremendous importance in the banking industry in the recent past. The accumulating bad loans due to willful default mainly by the corporate sector has affected the genuine growth of the banking industry in the country. The Central Government has taken several issues to bring discipline in the recovery of NPA's through various enactments mainly Insolvency and Bankruptcy Code 2016 (IBC) which received the approval of President of India on 28th May 2016 with the process starting during the year 2015. The IBC went into rough weather due to frequent litigations and the controversies created by the vested interests. The Government had to defend the IBC and make it operative from the point of view of recovery of huge outstanding in the large accounts. The major challenges involved in the implementation of the IBC code was the involvement of the multiple agencies in the matter of invocation of IBC by the Managements of the Banks. The promoters of various industries were trying to block the recovery procedure on several grounds from time to time. Insolvency is a situation where individuals or companies are unable to repay their outstanding debt.

Under the code, a financial creditor may file an application before National Company Law Tribunal (NCLT) for initiating the insolvency resolution process. The NCLT will take further procedure to help the financial creditors in recovery of the loans. The Committee of Creditors consisting of financial creditors have several options before them for ensuring smooth recovery for including the restructure of the debt by preparing a resolution plan or liquidate the debtors assets.

The enactment addresses three issues, the strengthening of provisions related to time limits, secondly specifies minimum payouts to operational creditors in any resolution plan. The third issue it specifies the manner in which the representative of a group of financial creditor should vote.

The major challenge faced by the creditors have been the delay involved in the completion of the process. The assets available for disposal

gets diluted in view of this prolonged period prescribed for the completion of the procedure. The challenging task as regards the realization of the assets are the compulsion on the part of the financial creditors to be prepared for waiver of very substantial portion of the outstanding so that the borrowers are able to meet the obligations under the plan. The reports indicate that the NPA's recovered in terms of the outstanding is considerable whereas the realised loans were far less – even in certain cases the waiver have reached to the level of 70% and above despite the best efforts on the part of the committee concerned.

The settlement results in the reduction in the NPA's to a great extent but where the major portion of the recovery would be from the provisions and write off of the outstanding's in order to help the borrowers in paying their dues. The Performance of the Banking Industry gets adversely affected due to these large haircuts taken by the bankers. The major portion of the profits are knocked off by these settlements and the employees who have worked day and night to ensure that the banks are able to achieve better resuls through good performance but the recovery process affects the net profits of the banks.

It is in this background, there is a need to bring about further improvements in the IBC code to ensure the recovery process is strengthened and a reasonable percentage of recovery of the outstanding loans takes place. The write-off in the banking industry in such a large proportion cannot be tolerated, since the beneficiaries are rich and affluent corporate group. While the industries are made sick, the promoters remain healthy and wealthy in the processing robbing the common savings from the financial system. The United Forum of Bank Unions have raised their voice against the growing NPA's and the favorable atmosphere created to the promoters to escape from the moral responsibility of repaying the debt owed by them to the banking industry. It is all the more important when the issue of compensation to the employees and officers are linked to the profits of the banks while the big industrialists go scot free in the process. The employees and officers have been putting hard work in the recovery of smaller loans and the bigger ones are the responsibility of the Boards of the Banks as well as the Government of India who have the wherewithal and power to ensure the recovery of the full dues from the corporate defaulters.■

Organisational Activities

LET US WELCOME NEW YEAR 2020 WITH HOPES AND EXPECTATIONS

The year 2019 has joined the history a short while ago. The year has witnessed great success on some fronts and also failure on other areas. It was a year which created a lot of hopes for the successful conclusion of several issues before the industry as well as our bank. Some of the issues could reach the logical end while some of them have now been escalated. The biggest issue of all is the issue of the 11th Bipartite Settlement which was overdue as our earlier settlement has ended on 31st October 2017. Though there was a commitment on the part of IBA that it would take necessary step to speed up negotiations and conclude it within a reasonable time at the time of submission of Common Charter of Demands by the Officers' organizations as well as workmen organizations, the assurance did not fructify as expected by the rank and file across the country. The negotiations were slow and conducted in a casual manner. Thus, it is already more than 2 years since the expiry of the last settlement.

The International political scenario was again dominated by US and China. The UK saw the biggest relief for the country when the Brexit was cleared by the newly elected Government which was in doldrums. The President of US is under the scanner of impeachment in the middle of his plans for the second term of the Office.

The year also saw the re-election of NDA Government for the second term of Office at the Centre. The Government went ahead with several enactments in particular the abolition of Article 370 followed by Citizens Amendment Act etc. which resulted in country wide protests backed by opposition parties. The much acclaimed GST as the best revenue collection system has not yet delivered the expected results with some of the

States not yet getting the share of their revenue. At industry level ever since the Government assumed the Office, there has been continuous pressure on the recovery process but very little has happened in terms of the recovery of the loans outstanding to the industrialists and big corporates.

The Federation along with AIBOC took active part in several struggles. The AIBOC was successful in creating sufficient pressure on the Government through continuous campaign and struggle as well as mass rallies and meetings across the country. In this background, it was the responsibility of Federation as well as AIBOC to take along the other Officers' organizations as well as workmen union in ensuring a fair deal to the officers. The major issues such as the adamant stand of IBA in regard to full mandate, there has been some positive development during the last few rounds of negotiations. The IBA has also accepted many of the suggestions made by the sub-committee in regard to the Disciplinary proceedings in the banking industry. The issues connected with the superannuation benefits and its improvements is bogged down due to the projection of higher amount on this score by IBA which is far from the actual outgo. The IBA has indicated that the Family Pension is before the Government and a final decision in this regard is expected in due course.

The Bank level structured meetings have been held periodically. Some of the pending issues are awaiting the clearance of the top management. The performance of the bank at the beginning of the year was affected due to the increased NPAs that eventually delayed the settlement of certain issues. With the assurance of the top management that the banks' performance has now improved, we are hopeful that issues which were settled in the CNC will be implemented in due course.

At Federation level, we have been in forefront in campaigning against the ill conceived economic policies of the Government. A series of seminars, rallies, conventions were held involving the rank and file to create an awareness about the ill advised moves of the bank in the matter of merger of banks, the failure to recruit sufficient staff to take care of the staff shortage, the pressures on the existing staff in the matter of cross selling, the budget achievement etc. and failure in many Circles to implement the recent advisory of the bank for allowing the officials to enjoy their lives with their families etc., and we could take corrective steps on several issues through country wide campaign and agitation during the period.

There are all-round hopes amongst the rank and file for the successful completion of the 11th Bipartite Settlement which has now reached the crucial stage. The constituents of UFBU will meet and take appropriate stand in order to compel the IBA and the Government to initiate meaningful dialogue with a view to conclude the bipartite settlement ensuring a fair and equitable salary revision to the workforce in the banking industry.

Let us be prepared to respond to the call of the UFBU for ensuring a fair and equitable salary revision while welcoming the "New Year 2020" for a better and prosperous year for the entire membership of the banking industry.

Wish you all a happy and prosperous "NEW YEAR 2020" ■

A CHALLENGING YEAR 2019 ENDS.
LET YEAR 2020 BE A DEFINING ONE !!

Text of AIBOC Circular No.2020/01 dated 01-01-2020

The year 2019 is now in history. From the very beginning, the year threw new challenges to the bank officers and employees and the entire banking industry.

02. On 2nd January, 2019, the Union Government published its Gazette Notification on its proposed first ever amalgamation of the nationalised banks, amidst country wide protest / agitation from the AIBOC and its affiliates, shareholders and customers of the banks proposed to be merged and the citizenry. Meanwhile, the wage negotiation talks came to a standstill position, since IBA refused to cover officers above Scale-III on the ground of non-receipt of mandate from a few banks and AIBOC continued with its principled stand of recusing itself from the wage talks unless and until the full mandate issue was resolved.

03. Carrying forward the legacy of a very successful independent strike observed on 21st December,

2018, the Confederation took a conscious decision to oppose the ill-conceived merger and retrograde banking reforms that were being initiated by the government, which culminated into a 'Maha Morcha' organised at Delhi on 4th February, 2019. The Maha Morcha, which originated in the form of a massive 'Jatha', witnessed a sea of humanity comprising of thousands of officers from Kashmir to Kanyakumari, from Ahmedabad to Aizawl, from Sikkim to Thrissur converging into the national capital, opposing the proposal of amalgamation / merger of BoB - Dena Bank - Vijaya Bank, mis-selling of third party products, attack and assault on bankers, the atrocities of Management on Catholic Syrian Bank Officers and the retrograde decision to reduce their retirement age and demanding five day banking, unconditional and clear mandate for all officers upto Scale-VII in the wage revision talks, negotiation on the Charter of Demands submitted by four Officers' organisations, improvement in family pension, updation of pension, replacement of New Pension Scheme (NPS) with Defined Benefit Scheme, et al.

04. AIBOC was in forefront of bringing awareness and mobilising public opinion on merger issue and later on the issues of full mandate as well as the National Pension Scheme by way of organising various seminars, symposia, public meetings, programmes and forming dedicated social media teams particularly for twitter hashtag campaign #Save Public Sector #Stop merger etc. The legal battle initiated by the Confederation by way of writ petitions filed at the Hon'ble Delhi High Court was subsequently transferred to the Supreme Court of India on the ground of multiple proceedings at different benches and finally the Supreme Court judgment dated 28th March, 2019 cleared the path of merger of Bank of Baroda, Vijaya Bank and Dena Bank with effect from 1st April, 2019. AIBOC gave a clarion call for observing 1st April, 2019 as a 'Black Day' in the history of Indian banking industry.

05. Amidst the scenario of deepened economic slowdown, on 30th August, 2019, the government announced another round of mega merger of ten banks and formation of four banks, ignoring strong empirical evidence of absence of synergy witnessed in case of the previous mergers including that of State Bank group. It was categorically pointed out by the AIBOC that it is neither in the interest of the country nor that of the concerned banks or any of their stakeholders. The entire logic of creating big banks is based on mis-placed notion not backed by any solid macro-economic logic or realistic evidence, besides causing huge plight to the depositors, customers, small borrowers of these banks and thus being against the common man. AIBOC hit the street from the very next day along with the other constituents of UFBU in holding massive demonstration on 31.08.2019 to express strong protest throughout the country.

06. In the area of wage negotiation, a consensus among the officers' organisations was arrived in the meeting held on 25th June, 2019 at Bangalore, wherein it was decided that on the issue of the mandate, all those organisations would be together. Finally, the AIBOC was successful in its endeavour to rally the entire workforce under the banner of UFBU behind our justified stand of full mandate for wage negotiations. Later, AIBOC and all the constituents of UFBU took part in the subsequent wage talks.

07. On 19th November 2019, AIBOC along with other constituents of UFBU took a decision of holding a massive 'Dharna' at the National capital on 10th December, 2019. The Dharna against merger, misplaced banking reforms, unabated attacks on officers and demanding reduction in unreasonable service charges and more stringent measures for booking the wilful defaulters among others, was a stupendous show of strength and unity of bank employees, officers and also the retired bankmen, which was addressed by many central trade union leaders and lawmakers of the country, expressing solidarity to the movement.

08. By way of issuance of an advisory of 24th October, 2019, the Department of Financial Services, Ministry of Finance advised the State Bank of India and all the Nationalised banks to expeditiously set up the system for providing online facility for recording / modifying online mandate for deduction of union membership subscription from the salary and linking the same to HRMS. AIBOC lodged its strong protest against this guideline advising the banks for implementation of online check off facility. We have vouched to take all possible steps to thwart this unreasonable stand taken by the department, which is not only unethical but also in violation of the basic trade union norms as defined in the Indian Trade Union Act, 1926 regarding admission of members of trade unions.

09. We thank the entire membership for their unstinted

support which demonstrated the might of this organisation. The unyielding leadership of the Confederation has attracted many more during the last one year and during the period three more unions / associations of different banks have taken affiliation of AIBOC. Comrades, our relentless struggles will not go unrewarded. The seeds have been sown. We need to sustain, nurture and nourish them to enjoy the fruit.

10. The year ahead is going to be tougher and more challenging and defining given the mindset of the government. We have several agenda to pursue, major important ones being stopping the misplaced reforms and the menace of mergers and de-nationalisation, ensuring dignity and respect of officers' fraternity etc., besides clinching a reasonable and dignified wage revision for the bank officers including five day week, achieving work-life balance, improvement in superannuation benefits such as pension, family pension et al. We would like to assure the membership and the entire officers' community that AIBOC is committed to these non-negotiable issues and will not rest till achievement.

11. We call upon our membership to be with us, extend whole-hearted support as has been extended by them till date. Attempts will be made to scuttle our unity, dilute and divide the banking trade union movement, destroy the very fabric of our public sector banks and reverse nationalisation. We firmly believe that at the end of focussed and determined struggle, there will always be rays of success. Let the New Year 2020 be victorious in all our endeavours.

12. AIBOC wishes you and your family members a very vibrant and New Year 2020, marked with more militant and organised struggles to achieve all our desired goals destined towards more happiness and upholding of our dignity. ■

COMRADE SUNIL KUMAR TAKES OVER AS PRESIDENT OF AIBOC

Text of AIBOC Circular No.2020/02 dated 01-01-2020

We are delighted to inform you that in the 92ndExecutive Committee Meeting ofAll India Bank Officers' Confederation (AIBOC) held inDelhi on 26th and 27thDecember 2019,Comrade Sunil Kumar, Chairman and General Secretary of FBOIOA was unanimously co-opted as President of the Confederation following superannuatiojn of Com Debasis Ghosh.

Comrade Sunil Kumar, a Masters in Geology, joined Bank of India as a DRO on 16.01.1984. He is also a Certified Associate of Indian Institute of Bankers. He was drawn to the mighty Federation of Bank of India Officers' Association ever since he joined the Bank and was co-opted as Executive Committee Member of erstwhile Muzzafarpur Regional Council of the Association in the year 1987. He served the organisation as an Executive Committee Member for 14 long years before assuming the charge of Regional Secretary of Muzzafarpur Region on 18.01.2001.

After the amalgamation of Regional Offices, following organisational restructuring in Bank of India, he got elected as Deputy General Secretary of the Bihar Unit of FBOIOA in 2002 and it's General Secretary from 01.02.2004. In recognition of his contribution to the Trade Union movement and unparalleled organisational skill, he was elected as Deputy General Secretary of the Federation in 2004. His vision, acumen, deep understanding of the issues and compassion for the membership ensured his election as Joint General Secretary of FBOIOA in 2007, VicePresidentin 2010 and President in 2012. He became the General Secretary of FBOIOA after laying down of office by Comrade Harvinder Singh and has been leading the mighty Federation which has such a glorious and unmatched legacy of contribution in the movement of the Bank Officers' in the country.He has achieved significant benefits for the officers' fraternity in Bank of India through his exceptional negotiating skills. His oratory skills has made him one of the most sought after speakers in any meeting and seminar in the country.

Comrade Sunil Kumar was elected in the Executive Committee of AIBOC in June 2004 and was elevated to Deputy General Secretary in January 2011, Vice President in 2012 and Sr. Vice President from the Jaipur Conference in March 2017 and Chairman from 28th November 2018. He was also the President of AIBOC Bihar State Unit from 2004 to 2012.

Comrade Sunil Kumar's co-option as President of the Confederation will definitely strengthen our resolute determination to carry on our ongoing struggle against merger, wage revision talks,ensuring proper work-life balance and meeting the challenges to continue the legacy of the movement.He played his role as Chairman of this premier organisation AIBOC with perfection and coordinated with both President and the undersigned to form a formidable team that strengthened the Confederation. He will definitely be playing a significant role in the ongoing wage revision talks. The undersigned is confident that AIBOC will emerge more militant, cohesive, and determined to serve the membership drawing from the rich repository of experience of Comrade Sunil Kumar. ■

AIBOC BIDS ADIEU TO COMRADE DEBASIS GHOSH, PRESIDENT, ON HIS SUPERANNUATION FROM THE SERVICES OF UNION BANK OF INDIA

Text of AIBOC Circular No.2019/79 dated 31-12-2019.

Comrade Debasis Ghosh, President AIBOC, has demitted office on his attaining superannuation from Union Bank of India today i.e. on 31st December 2019, after 34 years of illustrious and immaculate service career.

Comrade Debasis Ghosh, universally known as DADA, joined Union Bank of India in April 1985 as an officer. Comrade Ghosh, an MBA in Finance, has also a Post Graduate Diploma in Computer Science and Service Marketing & Rural Development. He is also a Certified Associate of the Indian Institute of Bankers. Since his University days, Comrade Ghosh had involved himself in students' union activities. He was General Secretary of Bidhan Chandra Krishi Vishwavidyalaya Students' Union. He was an upright officer and had served in several parts of the country viz. Punjab, Uttar Pradesh and Delhi and worked in various assignments viz. advances, foreign exchange, merchant banking, relationship banking, risk management and recovery.

Comrade Ghosh was elected in the Executive Committee of AIBOC, Delhi Unit in 1991, and subsequently, in 1992, he was elevated to the post of DGS. In recognition of his contribution, dedication and diligence, he was elevated to the post of Vice President of AIBOC, Delhi Unit in 1996 and was also inducted in the National Executive Committee in the same year. He was elected as the General Secretary of All India Union Bank Officers' Federation in June 2013. He was also the Trustee of Union Bank Pension Fund, Union Bank Gratuity Fund and Union Bank Staff Welfare & Death Relief Fund. Comrade Ghosh was nominated as Officer Director in the Board of Union Bank of India at the age of 44 only and served tenure from 2005 to 2009. He was instrumental in achieving many benefits for the officers' fraternity in Union Bank of India during his stint in the Board. He was elected Senior Vice President of AIBOC in March 2017 and was unanimously co-opted as President in the 90th Executive Committee Meeting held at Kolkata from 27th to 28th November 2018.

Comrade Ghosh is an accredited leader of the banking trade union movement and an activist of extraordinary commitment to the causes of officers' fraternity. He has been a voice of sanity and reason on diverse issues of our time. He is one among those select few who are committed to certain ideals and ever ready to pay any price for defending them. Such leadership stands as a shining example of commitment. His journey in AIUBOF and AIBOC has been marked with steady progress to the position of President of AIBOC. He held all positions with distinction and made worthwhile contribution.

He played his role as President of this premier organisation, AIBOC with perfection and coordinated with both the Chairman and the undersigned to form a formidable team that has fortified the Confederation in a big way. His in-depth knowledge in almost every sphere of banking and finance and his exemplary negotiating skills developed over the years have played a significant role within UFBU and during ongoing wage discussion in the meetings of the core committee for officers as well as in the main wage negotiation process with IBA. His capacity to build a team, create consensus, and delegate power has helped creation of a very active and cohesive team in AIUBOF as well as in AIBOC.

We are bidding him adieu with a heavy heart as he is retiring from Union Bank of India and from the post of President, AIBOC. We will be missing his presence amidst our meetings and his clarion call to all of us to brace up for campaigns to achieve a life of self-respect and dignity.

We assure him that the noble thoughts, sublime ideals cherished by him will be the lodestone to our hearts and lodestar to our eyes.

Retirement marks the start of another chapter in one's life especially to a dedicated trade unionist, who sacrifice their family life for the welfare of their extended family. It will herald a new beginning for Dada. May every moment of his life be full of joy. Comrade Ghosh will be dearly missed and remembered and revered for ever. Working with him has been an immense pleasure. His humility and graciousness have won our hearts. The undersigned places on record the significant contribution of Comrade Debasis Ghosh to foster the growth and development of the Confederation during his entire tenure and especially as President. The undersigned is confident that AIBOC will continue to receive his guidance as an esteemed and ardent well-wisher in the days to come.

We wish him a happy, healthy, active, contented and peaceful life ahead. The undersigned in his individual capacity and on behalf of the entire membership of AIBOC conveys sincere appreciation for his colossal contribution and urge upon him to intensify his fight to safeguard the rights of the common man and the banking trade unions in particular. ■

DHARNA BEFORE PARLIAMENT AGAINST MERGER OF BANKS A GRAND SUCCESS

Text of AIBOC Circular No.2019/78 dated 12-12-2019

Dharna before Parliament organized by us on 10th December 2019 against the proposed merger of 10 Banks and retrograde banking reforms agenda of the Government, was a grand success. Nearly 3000 employees and officers from various States and banks enthusiastically and massively participated in the Dharna. The following political personalities and trade unions leaders addressed our Dharna and extended their support to our demands.

M/s	
Pradeep Bhattacharya, MP	Congress
Dr. K.V.P. Ramachandra Rao, MP	Congress
Saugata Roy, MP	Trinamool Congress
Sukhendu Sekhar Ray, MP	Trinamool Congress
M. Shanmugam, MP	DMK & Gen Secy, LPF
T.K.S. Elangovan, Ex MP	DMK
D. Raja, Ex MP	CPI
Binoy Viswam, MP	CPI
T K Rangarajan, MP	CPI-M
Elamaram Kareem, MP	CPI-M
N K Premachandran, MP	RSP
R C Kuntia, Ex MP	INTUC
Amarjit Kaur	AITUC
Harbajan Singh Sidhu	HMS
Swadesh Dev Roye	CITU
Santosh Kumar Rai	AICCTU
Satyavan Singh	AIUTUC
Lata Behn	SEWA
R S Dagar	UTUC
C Srinivas	Progressive Forum, AP

We highlighted the following issues and demands in our Dharna:

- ✶ STOP MERGER OF BANKS
- ✶ Stop banking reforms
- ✶ Ensure recovery of bad loans
- ✶ Take stringent action against defaulters
- ✶ Do not harass customers with penal charges
- ✶ Do not increase service charges
- ✶ Increase interest rate on Bank Deposits
- ✶ Stop attacks on jobs and job security
- ✶ Adequate recruitment in all Banks

At a time when the economy of the country is facing a severe slowdown and banks have a very important role to play to boost the economy that should be the priority of the Government. But unfortunately, Government is targeting the banks for wholesale mergers, large scale closure of branches, diversion of attention from bad loans recovery, reduction in interest on deposits, levying more service charges and penal charges on ordinary banking public, etc. Mergers are totally unwarranted and cannot be the solution for the problems of our economy or the challenges facing the banks.

Recovery of bad loans by stringent measures is the need of the hour. But the Government is forcing

the banks to resolve the bad loans through heavy concessions and haircuts and thus banks are losing their hard earned profits towards provisions for these bad loans of the corporates.

The Dharna participants raised powerful slogans condemning the Government's policies in respect of banks, particularly the proposed merger of banks. Leaders of our constituent unions also addressed the Dharna.

We hope that the Government would understand the protest and resentment of the bank employees under the banner of UFBU and retrace their decision, failing which further agitational programmes would be discussed and decided.■

Article

INDIAN BANKING : CHALLENGES IN THE NEW DECADE

Today, the Reserve Bank of India (RBI) will conduct the second phase of Operation Twist by simultaneous buying and selling of government securities. It will buy long-tenure bonds and sell short-term ones to bring down the bond yields and flatten the curve, narrowing the term premium. The 10-year bond yield, which rose to 6.8 per cent in the recent past fearing higher government borrowing to bridge the widening fiscal deficit, is now hovering at 6.5 per cent.

Operation Twist "manages" bond yields, brings down the cost of borrowing for the government and saves banks from treasury losses. Banks, in fact, can make money trading bonds but nobody knows how long the RBI would continue the exercise and how much it would buy. Therein lies the challenge for the banks.

What are their challenges in the new decade?

For the record, a decade ago, the 10-year bond yield was 7.59 per cent and 11.22 per cent in December 1999. The gross annual government borrowing figures for fiscal year 2000, 2010 and 2020 have been ₹ 99.630 crore ₹ 4.92 trillion and ₹ 7.1 trillion respectively.

The kitty of bank credit, which is ₹ 99.25 trillion now, was ₹ 29.42 trillion in 2009 and ₹ 4.15 trillion in 1999. The credit pile grew 609 percent in the first decade and less than half of it in the current decade. The deposit portfolio of banks, which is ₹ 1.31 trillion now, has grown 213 per cent in the current decade, roughly half the growth in the first decade (from ₹ 7.91 trillion in 1999 to ₹ 41.84 trillion in 2009). How has the economy been growing ? In 2000, it was ₹ 20.13 trillion and in 2010, ₹ 64-78 trillion (both 2004-05 series). The estimated size of the Indian economy in 2020 is ₹ 211 trillion (2011-12 series).

Finally, a look at the pile of bad assets. In March 2019, the gross non-performing assets (NPAs) of the Indian banking sector was 9.1 per cent of the loans, the highest among emerging markets. It may rise to 9.9.per cent next year. The figure was 2.39 per cent in March 2009 and 14.6 per cent March 1999. After making provisions, the net NPAs of the industry in March 2019 was 3.7 per cent, higher than 1.12 per cent in March 2009 but much lower than 7.5 per cent in March 1999.

The current decade started with enormous fiscal and monetary stimulus to ward off the feared impact of the collapse of US investment bank Lehman Brothers Holdings Inc. The government went all out spending money and the RBI followed an ultra-loose monetary policy, followed an ultra-loose monetary policy, flooding the system with liquidity and bringing down the policy rate to its historic low. That sowed the seeds of the problems that plagued the financial sector for an entire decade, threatening to spill over to the next.

Former RBI governor Y.V.Reddy initially a much-disliked central banker for his refusal to open up the banking sector-turned into a hero after the Lehman collapase for ring-fencing the Indian economy by not opening up the sector. In the current decade, there has been partial opening up but is not the reason for the enormous pain that the Indian financial sector has been experiencing. Unlike in the past when only the banking sector bore the brunt, the problem has spread across the financial system-to non-banking finance companies, mutual funds and rating agencies. There is a clamour for fiscial stimulus even as monetary easing continues.

How did we get into the mess? Probably, each decade has its own contribution. Some are blaming the abolition of development financial institutions (DFIs) in the 1990s that forced banks to lend for projects without the core competence. They are extremely slow learners of the tricks of the trade, the leisurely development of the corporate bond market also did

not help the cause. A few are holding the Reddy regime responsible for the current troubles as the economy grew at over 9 per cent for three successive years then and the credit growth was phenomenal, leading to overheating. Then, of course, there was the exaggerated response to the global crisis in the aftermath of the Lehman collapse. And finally, there are others who are blaming forme Prime Minister Manmohan Singh and former RBI governor Raghuram Rajan for the mess. India presents a unique case study of financial sector woes spilling over to the real sector. And there is no Lehman or East Asian crises to blame. It is self-inflicted.

In the past too, Indian banks were saddled with bad assets but there has never been such a crisis of confidence (which forced the RBI to issue a release saying depositors' money is safe in the banks). Has the central bank been too aggressive in cleaning up the system? Should it and the government have thought of the solutions before raising the red flags? When bankers are hounded by investigative agencies for credit decisions going wrong and defaulters are treated like outcasts, who will borrow money and who will lend?

The endgame in the politician –banker-corporate house nexus has not played out yet. Once it does, the new landscape for the Indian financial system will emerge. In some sense, the Indian banking story has remained unchanged for decades. Banks have kept on changing their assets-from steel to infrastructure to telecom to retail-and corporate India kept on leveraging up even as the regulator was generous in offering forbearance to banks. Periodically, new currency in the form of the treasury gains has been used to clean up banks' balance sheets. How long can it continue? At some point there won't be anybody to lend barring the government-the last bastion. This is a classic story of debt stagnation and fiscal dominance.

In the new decade, we will see the emergence of large banks through consolidation; probably better-governed public sector banks with a smaller market share; the entry of many small banks; and even the return of DFIs in some form. Let's hope and pray that we also see the closure of the bad loan saga.

The writer, a consulting editor with Business Standard, is an author and senior adviser to Jana Small Finance Bank Ltd.■

Source: Business standard, dated 30/12/2019

BANKS FACE BIGGEST JOB CUTS SINCE 2015

Banks around the world are unveiling the biggest round of job cuts in four years as they slash costs to weather a slowing economy and adapt to digital technology.

This year, more than 50 lenders have announced plans to cut a combined 77,780 jobs, the most since 91,448 in 2015, according to filings by the companies and labor unions. Banks in Europe, which face the added burden of negative interest rates for years to come, account for almost 82% of the total. The 2019 cuts bring the total for the last six years to more than 425,000. In fact, the actual amount is probably higher because many banks eliminate staff without disclosing their plans.
Morgan Stanley is the latest firm to make a year-end efficiency push, cutting about 1,500 jobs, according to people familiar with the matter. Chief Executive Officer James Gorman has said the cuts account for about 2% of the bank's workforce.

NEGATIVE INTEREST RATES: This year's figures also underscore the weakness of European banks as the region's export-oriented economy confronts international trade disputes while negative interest rates eat further into lending revenue.

Unlike in the U.S., where government programs and rising rates helped lenders rebound quickly after the financial crisis, banks in Europe are still struggling to regain their footing. Many are firing staff and selling businesses to shore up profitability. Germany's biggest lender tops the list of planned job cuts.

Deutsche Bank AG is planning to get rid of 18,000 employees through 2022 as it retreats from a big part of its investment banking business. The lender's home country is the most fragmented major banking market in Europe and among the most exposed to negative interest rates because its lenders hold more deposits than competitors abroad. Banks will probably continue to announce further staff reduction plans next year. Swiss wealth manager Julius Baer Group Ltd. is considering cuts to reduce costs because of rising competition and tighter margins, people with knowledge of the matter said earlier this month. ■

Source: Business Line 25-12-2019

RBI SAYS BANK AUDITORS HAVE TO BE MORE VIGILANT

Regulator wants more intensive examination of large - value accounts, nature of security given by borrowers and financial statements of borrowers.

Mumbai: Auditing banks is becoming one of the trickiest and most demanding jobs.

Auditors, according to a Reserve Bank of India (RBI) advisory to several banks this week, will have to carry out a more intensive examination of large-value accounts, the nature of security provided by borrowers as well as financial statements of borrowers. The regulator believes this will lend greater insight into determination of non-performing assets (NPAs) and other areas of concern like frauds.

Under the new framework, statutory auditors, in verifying whether an NPA has been correctly identified by the bank, should not confine to the objective tests laid down but "display a greater degree of scepticism and independence" in scrutinising banks' exposure to big borrowers.

These instructions, among others, will be included by all private and foreign banks in the annexure to the letter of appointment of auditors, said sources.

"Auditors are the first line of check. Some of the losses of banks could have been contained if they were more vigilant — at least that's what the regulator seems to think," said an industry person. Earlier this year, RBI had said that there would be quarterly meetings between bank auditors and the central bank to detect early warning signals. In giving a declaration on the absence of indebtedness of relatives of partners or proprietors of a firm, the auditor may be required to go a little beyond than what is currently laid down in the law. Before appointing statutory auditors, banks, according to RBI, should ensure that in addition to the requirements of Section 141(3)(d) of the Companies Act (relating to indebtedness and disqualification of auditors), the "spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/ proprietors of the firm or the firm/company in which they are partners/directors are not indebted to the bank". The statutory auditor will have to ensure that qualifications, if any, made in audit report or financial statement should be "quantified wherever possible, if the same are material, in clear and unambiguous term." As soon as the audit work is completed, an auditor is advised to report "serious irregularities" to the top management of the bank as well as to the senior supervisory manager of RBI's department of supervision. In case of non-observance of any serious lapses, a 'nil' report may have to be submitted by statutory auditors.

If matters involving members of a bank's senior management who are part of the audit committee of the board are spotted during the course of audit, the findings should be immediately reported to the bank's board of directors and RBI.

Source: Economic Times, Dated:11-12-2019

Judicial Verdict

[2019 (163) FLR 830]
(SUPREME COURT)
Mrs. R.BANUMATHI, A.S.BOPANNA and HRISHIKESH ROY.JJ.
Civil Appeal No(s) 7757 of 2019
October 1, 2019
Between
ORIENTAL BANK OF COMMERCE and others
And
JANAK RAJ SHARMA

Pension-Under Pension Scheme in Bank-Respondent-employee applied option for after the cut-off date-Considering the fact that he had rendered long period of service to appellant-Bank and keeping in view the exceptional circumstances, the High Court had directed the appellant-Bank to accept the option exercised by respondent-No interference made with the order-However, the order passed by High Court is subject to returning of P.F. contribution and respondent shall not be entitled to claim any interest on pension to be paid.

JUDGMENT

A.S. BOPANNA, J.:- Leave granted.

2. The respondent was working as a Senior Manager in appellants-Bank. He took voluntary retirement on 15.01.2001. On 23.08.2010, the appellants-Bank issued circular granting opportunity to the employees who were in service of the Bank prior to 29.09.1995 and had retired after the date but prior to 27.04.2010 to opt for the pension scheme. The circular had a last date of application which was 25.10.2010 but the respondents got to know about the said circular only on 18.11.2010. He applied for the same. His application was rejected by the appellants-Bank on the account of late submission of the application. Being aggrieved by such rejection, respondent filed writ petition before the High Court.

3. The learned Single Judge vide order dated 04.09.2015 allowed C.W.P. NO.9855 of 2012 filed by the respondent relying on the judgment passed by the Bombay High Court in the case of Kayoji Sorabji Mirza v. UBI & Ors. and held that the respondent was being abroad at that time had no knowledge of the circular dated 23.08.2010. Therefore, the rejection of the application of the respondent filed after the cut-off date is held not justified keeping in mind the facts of the case. Being aggrieved, the appellants-Bank filed LPA before the Division Bench.

4. The Division Bench vide order dated 30.09.2015 dismissed the LPA filed by the appellants-Bank on the ground that the respondent exercised his option under the pension scheme after he returned from abroad as he was not aware of the circular until he was abroad.

5. In that background, the appellants-Bank is before this Court assailing the order dated 06.04.2016 passed by the Division Bench of the High Court of Punjab and Haryana at Chandigarh in LPA NO.1465 of 2015. Through the said order the Division Bench of the High Court has upheld the order passed by the learned Single Judge whereby a direction had been issued to the appellants-Bank to accept the option exercised by the respondent herein under the Pension Scheme and pay him the pension as per the Scheme governing the same.

6. We have heard Mr. Jagat Arora, learned counsel appearing for the appellants-Bank and Mr. Snehasish Mukherjee, learned counsel appearing for the respondent and also perused the impugned judgment and the materials on record.

7. Though the contentions have been urged on merits by Mr. Jagat Arora, learned counsel appearing for the appellants-Bank, to justify the action we do not find it necessary to advert to the details of the said aspect since the fact that the cut-off date had been fixed by the appellants-Bank to exercise the option is undisputed. The same is in consonance with the scheme which has been floated by all public sector banks whereby the date for opting for the pension scheme is provided thereunder. The option had been given to the officers who had retired prior to the said date to exercise the said option subject to conditions imposed.

8. In the present circumstance, the option was to be exercised by the respondent herein prior to 25.10.2010. The respondent had contended that he could not exercise such option as he was abroad during the relevant point of time from 24.11.2009 and did not know the extension of the scheme and time granted by the appellants-Bank as he returned only on 18.11.2010, after the cut-off date.

9. In the normal circumstance when a publication of the cutoff date was made while introducing the scheme, it would be appropriate to hold that the option should have been exercised within the last date as prescribed as otherwise there would not be finality. We uphold the Pension Scheme 2010 and with cut-ff date for exercising option as on 25.10.2010.

10. However, considering the fact that the respondent had rendered long period of service to the appellants-Bank and keeping in view that in exceptional circumstance the learned Single Judge as well as the Division Bench of the High Court had directed the appellants-Bank to accept the option exercised by the respondent herein, we are not inclined to interfere with the impugned order. However, we reiterate and make it clear that such direction issued is in the exceptional circumstance keeping in view the facts involved in the instant case and the same shall not be treated as a precedent in any other case. It is also made clear that in respect of the said Pension

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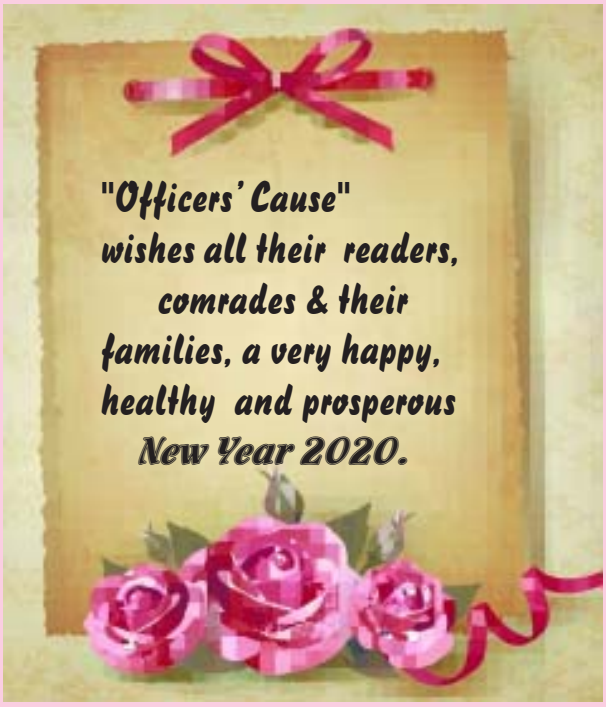
Scheme if any other matter is pending before any other Court in respect of the appellant-Bank herein or other public sector banks, the direction as approved in the instant appeal shall not be treated as a precedent in such cases and the said cases shall be dealt with independently on its own merits.

11. In the said circumstance, we approve the order passed by the High Court limited to the facts of the present case subject to the respondent herein returning the provident fund contribution already paid to him in the year 2001 along with interest at the rate of 6% per annum from the date of voluntary retirement scheme i.e. 16.01.2001 till the cut-off date i.e. 25.10.2010 as per the second pension option scheme in terms of the scheme within fifteen days from today. The appellants-Bank shall process the request of the respondent herein for payment of pension and pay the pension any benefit dues within a period of sixty days from the date of receipt of request as well as the refund of provident fund contribution, as stated above. The payment of pension to the respondent shall be with effect from the date of the order passed by the learned Single Judge i.e. 04.09.2015. It is made clear that in respect of payment of the pension which is ordered from 04.09.2015 till the date of receipt, the respondent would not be entitled to claim any interest on the said amount.

12. The appeal is accordingly disposed of

Appeal Disposed Of.



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