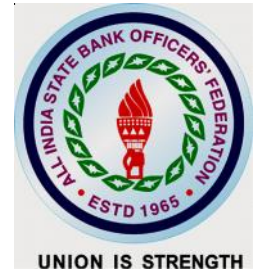


**OFFICERS' CAUSE
OCTOBER - 2025**



OFFICERS' CAUSE

6th OCTOBER, 2025

**AIBOC CELEBRATES ITS 41ST FOUNDATION DAY,
RELIVES AND RETRIEVES ITS COMMITMENTS.**

“Four Decades of Strength, Solidarity and Service to the Nation”

On the eventful day of October, the 6th, as we celebrate the 41st Foundation Day of the All India Bank Officers' Confederation (AIBOC), we relive and retrieve the visionary attributes that outlined a collective movement and traversed through a landscape of highs and lows, suffering setbacks as well as tasted fulfilment to cross the milestones of sustainability and credibility scripting a saga of resilience and sacrifice where the ideals of democracy, solidarity, inclusiveness, and justice, have all along been at its core.

AIBOC's glorious history is a glaring chronicle of sacrifice and commitment, a journey that stood rock-solid against onslaughts of time and stood defiant to safeguard the integrity of public sector entities while ensuring that banking remains an instrument of social transformation, economic empowerment, and national prosperity.

As we reflect on our glorious journey, let us reaffirm our conviction and reiterate our slogan that public sector banks (PSBs) are not merely financial institutions but are partners in the nation's inclusive progress, a channel for equitable credit dispensation across the sectors, supporting MSMEs, agriculture, infrastructure, and millions of households across India by ensuring financial inclusiveness.

While challenges persist, from privatisation efforts to pressure on autonomy of Banks, our response remains constructive and forward-looking. We shall continue to champion the cause of strong, sustainable, and people-centric public sector banking, promoting transparency, accountability, and resilience.

We reaffirm our solidarity with comrades in private sector and foreign banks who continue to struggle for fair labour practices and we endorse our commitment to the banking fraternity regardless of sectorial status/holdings to uphold dignity, fairness, and trade union rights for all alike.

We remain resolute in our demand for fairness in all aspects of officer service conditions. Issues such as Performance Linked Incentive (PLI) disparities must be addressed equitably so that every officer's contribution is recognized and rewarded without artificial divisions.

We take pride in the outstanding performance of PSBs, which continue to post strong growth across all business parameters while driving financial inclusion and innovation. The resilience of our members is the true foundation of this success, achieved through professionalism, dedication, and teamwork.

We remain committed to building workplaces where human dignity and professional excellence go hand in hand, shall continue advocating for work-life balance, compassionate HR policies, and welfare measures that empower officers and strengthens productivity.

As banking rapidly transforms through Artificial Intelligence (AI), automation, and digital innovation, AIBOC envisages a future-ready officer cadre, technologically proficient, yet firmly anchored in empathy, ethics, and trust. We champion responsible innovation, continuous learning, and upskilling to ensure that while technology advances, the human touch and trust, the very essence of public sector banking, remain at the core of financial services. At the same time, we remain committed to ensure job security of employees remains integral in all such transformations.

True to our ethos as a socially responsible organisation, we urge all affiliates and state units to commemorate this Foundation Day by engaging with the community through activities such as:

- ★ Flag hoisting by all affiliates and State Units at their respective headquarters
- ★ Organizing Rallies and Walkathons for public awareness on the role of AIBOC and PSBs in nation-building.
- ★ Organizing Seminars and Dialogues with citizens, youth, and social influencers on

strengthening PSBs, sustainable finance and inclusive growth.

- ★ Conducting Debate and Essay Competitions on “Public Sector Banks: Pillars of Sustainable Development.”
- ★ Taking up Sapling Distribution Drives - symbolizing our commitment to a greener planet.
- ★ Organizing Blood Donation and Health Camps promoting collective well-being.

Comrades, Let this day renew our pledge-

- ★ To uphold dignity, unity, and justice.
- ★ To protect the ethos of public sector banking.
- ★ To build an economy that is equitable, sustainable, and inclusive.

We salute our past leaders for their contribution to the movement, honour the dedication of our comrades, and rededicate ourselves to the collective cause of officers' welfare and for strengthening the Banking Sector for augmenting national progress.

Long Live AIBOC! Comrades March On!

In solidarity and with revolutionary greetings,

DISCUSSIONS WITH IBA ON 26-09-2025

Text of AIBOC Circular No. 2025/38, reproduced the text of UFBU Circular no. 2025/13 dated 26.09.2025.

Further to the Strike Notice served by us on IBA on 5-3-2025, there have been few rounds of conciliation proceedings held by the Chief Labour Commissioner (Central), Ministry of Labour, Government of India. Various issues raised by us in the Strike Notice have been under discussion

during the conciliation meetings and the details have also been periodically informed to our members.

One of the important issues taken up by us during these conciliation meetings was relating the PLI scheme advised by the Government applicable to Scale IV officers and above because this scheme was in total variance with the PLI scheme agreed by us in the Bipartite Settlement/Joint Note.

In the last round of conciliation meeting held on 11-8-2025, the CLC advised the Unions and IBA to discuss the issue bilaterally and submit the views so that the same be taken up for consideration by the Government.

Accordingly, IBA had invited UFBU for discussions today. After a lot of discussions, we submitted that while the Government's PLI formula may be implemented for the Top Management with certain modifications on the quantum of PLI, it should be ensured that no one should be denied of PLI as is payable under the bilateral PLI scheme applicable the employees and officers.

We have also suggested that the existing quantum of PLI as per scheme available under the settlement should be adequately improved upon. IBA agreed that our suggestions would be duly communicated to the CLC and DFS for their consideration and further discussions so that the issue can be amicably and bilaterally resolved.

Issue will be further discussed in the ensuing conciliation meeting with CLC on 15th October, 2025.

Other issues: The following issues were also raised by us during the discussion today.

1. Early introduction of 5 day banking
2. Finalising the details of Leave Bank scheme
3. Implementation of Ex-gratia in all private banks

4. Exemption of GST on Group Medical Insurance premium
5. Option for remaining employees/officers/retirees to join pension scheme
6. Uniform DA rates for all pensioners at 8088 Points
7. Exemption of income tax on additional 4% of NPS contribution
8. Increase in ceiling on Gratuity under the Act
9. Recruitment of Substaff and Armed Guards
10. Advisory to Banks to advice Zonal/ regional Managers not to use abusive language on Branch Managers and others during meetings.

Discussions on these issues will be further continued in the next meeting.

During the discussions, IBA informed that they have taken up the issue with DFS, CBDT and GST Council for exemption of GST on the premium on Group Medical Insurance policy for retirees. It was also mutually clarified that the new feature of Add-on facility under the Group Medical Insurance scheme for the retirees to include dependent physically/mentally challenged family member would be applicable only to the children of the retirees. ■

PSBs CONTINUE TO GRAB HIGHER SHARE IN INCREMENTAL CREDIT GROWTH: RBI

Bankers said the increase in market share in the last 18 months is the outcome of a combination of factors like changes in macro environment

The public sector banks (PSBs) further increased their share in incremental credit to 59.7 per cent in September 2025 from 57.3 per cent in March 2025 and 54.0 per cent a year ago, according to the Monetary Policy Report.

The report said across bank groups, the credit growth

of state-run remained higher (11.4 per cent) than that of private sector banks (PVBs) (9.4 per cent), while credit growth of foreign banks decelerated. Reserve Bank of India releases six-monthly monetary policy report alongside Monetary Policy Review.

On an annual basis (as on September 19, 2025), PSBs continued to account for the largest share of the incremental credit and their share rose further vis-à-vis PVBs and foreign banks, it said.

SUCCESS AWAITS AT THE DOOR WHERE DILIGENCE IS

Bankers said the increase in market share in the last 18 months is the outcome of a combination of factors like changes in macro environment, improving capital and financial profile as well as better governance and revamp in systems.

While the extensive branch-network gives edge for state-owned banks, they have also reformed processes, invested heavily in digital banking and are fashioning innovative products to face competition especially in the retail credit segment, they added.

Monetary policy report said growth in non-food bank credit of scheduled commercial banks (SCBs) decelerated to 10.2 per cent (Y-o-Y) as on September 19, 2025 from 13.0 per cent a year ago, although

an uptick in momentum was witnessed in Q2 (quarter ended September 2025).

Disaggregated trends in bank credit show moderation in credit growth across sectors. Although industrial credit softened, it remained modestly above its historical 10-year average, with nascent signs of growth uptick in recent months.

Despite moderation in growth, personal loans and services sector credit remained the main drivers of overall bank credit growth. Agricultural and allied activities registered muted credit growth, with gradual firming up in recent months, it added. ■

Source: Business Standard 08/10/2025

PRIVATE SECTOR BANKS SEE DIP IN MARKET CAP IN JUL-SEP: S&P GLOBAL

Private sector lenders lost market cap in July-September 2025, dragged by trade tensions and tariff shocks, while PSU banks recorded double-digit gains

Private sector banks slipped in market capitalisation (mcap) during the July-September quarter, underperforming their government-owned peers as trade uncertainties dragged market sentiment, said S&P Global Market Intelligence.

According to its analysis, HDFC Bank shed 4.8 per cent in mcap during the third quarter, while ICICI Bank's dropped 6.7 per cent.

Other private sector lenders, such as Kotak Mahindra Bank and Axis Bank, also posted declines in mcap in the third quarter compared to the previous three months, the data shows.

Private sector lenders posted mcap gains during April-June, buoyed by rate cuts and high liquidity in the banking system.

With relatively higher exposure to corporate lending, they fared worse than their state-owned peers.

Government-owned banks have a greater share of retail loans, especially in smaller Indian cities. There, local factors such as agricultural output and

rural demand play a bigger role than external trade.

Domestic equity markets faced headwinds as US President Donald Trump imposed 50 per cent tariffs on Indian goods.

The tariffs on India are among the highest for key trading partners of the US.

Exporters have been scrambling for newer markets, while trade negotiators are in touch for a US-India deal.

India's exports are likely to take a hit, though India is expected to remain the world's fastest-growing major economy for some years.

The Reserve Bank of India's (RBI's) Monetary Policy Committee (MPC) said that "growth outlook remains resilient, supported by domestic drivers, despite weak external demand."

It is likely to get further support from a favourable monsoon, lower inflation, monetary easing and the salubrious impact of recent GST reforms.

State Bank of India (SBI), India's largest bank by assets, added 10 per cent in market cap during the third quarter.

Among its public sector peers, Bank of Baroda gained 3.9 per cent and Punjab National Bank added 2.1 per cent.

Canara Bank gained 8.3 per cent. Meanwhile, Indian Bank posted a 16.7 per cent increase in market cap in the third quarter, the highest among the top 20 Indian lenders ranked by market cap.

On the other hand, private lender IndusInd Bank was the worst performer during Q3, shedding 15.7

per cent of its mcap and slipping one rung to the 14th position.

The Mumbai-based lender disclosed a series of accounting lapses earlier in 2025.

Overall, 12 of the 20 banks lost mcap during the third quarter, compared to only two in the previous three months.■

Source: Business Standard 08/10/2025

SBI MUTUAL FUND LAUNCHES MAGNUM HYBRID LONG SHORT FUND UNDER NEW SIF FRAMEWORK

The Magnum Hybrid Long-Short Fund allows daily subscriptions, while redemptions are available twice a week (Mondays and Thursdays). The minimum application amount is ₹10 lakh, with a minimum additional purchase amount of ₹10,000.

SBI Mutual Fund, India's largest fund house, has announced the launch of its first investment strategy under the new Specialized Investment Fund (SIF) framework—the Magnum Hybrid Long Short Fund. Using a combination of debt, equity, and derivatives, the new approach seeks to combine long-term capital growth with income generation.

Subscriptions for the New Fund Offer (NFO) will open from October 1 through October 15, 2025. The minimum amount for investors to apply is ₹10 lakh, and the starting price for additional purchases is ₹10,000. The plan provides redemption options twice a week, on Mondays and Thursdays, and permits daily subscriptions.

Investments can be made through lump sum and SIPs. The benchmark for the investment strategy is the NIFTY 50 Hybrid Composite Debt 50:50 Index TRI.

Hybrid strategy with a twist

With hedged positions up to 75% using instruments like index futures, stock futures, options, covered calls, and protective puts, the Magnum Hybrid Long Short Fund will invest 65–75% in stocks. Between 0% and

25% will be the unhedged portion, which includes short derivatives. Additionally, debt and money market instruments will account for 25–35% of the portfolio, with REITs and InvITs being permitted to hold up to 10%. The NIFTY 50 Hybrid Composite Debt 50:50 Index TRI will be used as a benchmark for the scheme's performance.

The strategy is designed to generate regular income through derivative opportunities such as covered calls and arbitrage, while also pursuing long-term capital appreciation via unhedged equity exposure.

SBI Mutual Fund on the launch

Calling the launch a **“strategic evolution,”** Nand Kishore, MD & CEO of SBI Funds Management Limited, said, **“The Magnum Hybrid Long Short Fund, the first under the Magnum SIF framework, demonstrates our commitment to delivering value to investors across market cycles.”**

D P Singh, Deputy MD & Joint CEO, added that Magnum SIF is positioned as a bridge between the company's mutual fund and portfolio management offerings. **“Our first strategy reflects our focus on innovation and investor-centric solutions. We look forward to introducing more differentiated strategies under Magnum SIF in the future,”** he said.

The fund will be managed by Gaurav Mehta, CFA, Head – SIF, Equity. Mehta has been with SBI Funds Management since 2018 and has led the equity investment strategy for Magnum SIF since July 2025.

With this launch, SBI Mutual Fund is not only expanding its product suite but also bringing a new

investment option to investors looking for a balance between income, risk management, and long-term growth. ■

**Source: Money Control-
Article by Manisha Lal Khandpur
dated September 24, 2025**

OPINION | RBI'S OCTOBER 2025

POLICY SHIFT: BOLD REGULATORY REFORMS FOR A RESILIENT FUTURE

The RBI's October 2025 policy overhaul focuses on price stability, strengthened Basel norms, AI regulation, and revamped credit frameworks. This shift aims to enhance financial resilience, encourage innovation, and sustain growth

The RBI officially moved to a new monetary policy framework with the unequivocal primary objective of price stability.

The Reserve Bank of India (RBI), following its recent monetary policy committee (MPC) meeting in October 2025, has undertaken a transformative shift in its approach to regulations and policy frameworks. This MPC meeting stands out as a turning point due to the substantial regulatory announcements, which have direct implications for India's banking landscape, financial sector stability, and the broader macroeconomic outlook.

The October meeting is considered a "paradigm shift" because, rather than deferring regulatory reform to government panels, including the Financial Sector Legislative Reforms Commission (FSLRC), the RBI is now assuming direct responsibility for proactive regulatory interventions, thereby supporting FSLRC mandates further. This move is both timely and welcome, given the complexity of current global financial markets and the radical technological changes taking place in the financial sector, particularly with the rise of artificial intelligence (AI).

RBI's New Monetary Framework: Prioritizing Price Stability

The RBI officially moved to a new monetary policy framework with the unequivocal primary objective of price stability. This change marks a departure from the earlier multiple-objective approach and shifts towards a more nuanced "dual mandate" of controlling inflation while promoting growth. The RBI

has made it clear that, while economic growth is an important consideration, price stability through inflation targeting will be at the core of all decisions. The updated framework aims for consumer price index (CPI) inflation within a 2–6% range, with a formal target of 4%.

The October 2025 MPC meeting reinforced this stance by holding the repo rate steady at 5.5%, following earlier cuts totaling 100 basis points in 2025 in response to moderating inflation and fiscal reforms. The approach is now unambiguously data-driven and forward-looking, acknowledging global headwinds and a tepid private investment environment, even as government capital expenditure remains robust.

The RBI is keenly aware that anchoring inflation expectations is a prerequisite for creating the confidence necessary for private investments to revive. As of August 2025, inflation stands at 2.07%. The MPC projected inflation and growth at 2.6% and 6.8% for FY26, respectively. This downward revision in inflation from 3.1% reflects easing food and fuel pressures, bolstered by favorable monsoons and supply chain stabilization. The upward GDP tweak from 6.5% signals optimism regarding domestic demand and the revival of capital expenditure (capex). However, quarterly breakdowns (Q1: 7.8%, Q2: 7.0%, Q3: 6.4%, Q4: 6.2%) highlight moderating momentum. These projections underscore the RBI's balanced vigilance, aiming to sustain growth with controlled price pressures amid global uncertainties such as US tariffs and geopolitical tensions.

Basel Norms

The RBI's October 2025 policy announcements also included a reaffirmed commitment to global regulatory standards—specifically, the implementation of revised Basel III capital adequacy norms for commercial banks (excluding small finance, payments, and regional rural banks), effective April 1, 2027.

Basel norms represent a global regulatory framework designed to strengthen bank capital requirements through enhanced risk assessment and more granular capital allocation principles. The RBI's draft guidelines aim to upgrade the Indian banking sector's risk sensitivity, granularity, and resilience. By recalibrating capital charges for credit risk and expanding eligible capital instruments—such as perpetual debt in both foreign and domestic denominations—banks will be better equipped to handle shocks and support global expansions. This move also aligns Indian regulatory practices with international best standards and provides a longer glide path (nearly four years) to ensure that banks adapt to higher provisioning and systemic stability requirements without sudden disruptions.

India's Basel III capital ratios are higher than the global minimum Basel III norms. Under the Basel III framework globally, the minimum capital adequacy ratio (CAR) is 8%, consisting of a common equity tier 1 (CET1) minimum of 4.5%, a tier 1 capital minimum of 6%, plus a capital conservation buffer of 2.5%, totaling 10.5%. To put this in perspective, CET1 capital is the highest quality capital a bank holds, mainly consisting of common shares and retained earnings, which absorb losses immediately as they occur. Tier 1 capital includes certain preferred stocks, serving as core capital to support a bank's ongoing operations and withstand financial stress.

In contrast, the RBI mandates a higher minimum CAR of 9%, with a CET1 minimum of 5.5% and tier 1 minimum of 7% (excluding buffers). When including the capital conservation buffer of 2.5%, the effective minimum CAR in India rises to 11.5%, and the CET1 requirement goes to 8%. This elevated threshold reflects a more conservative and robust

regulatory approach to ensure banking sector resilience.

Expected Credit Loss (ECL) Framework: A Step Forward

For banks operating in India, the adoption of the Expected Credit Loss (ECL) framework marks a significant regulatory reform. The ECL model moves away from the traditional incurred-loss approach to a forward-looking method, requiring banks to provision for possible future losses based on detailed credit risk assessment and broader data signals.

This framework will become operational from April 1, 2027, and is projected to improve the accuracy and timeliness of provisioning. By strengthening the banking sector's resilience to shocks, it is expected to further enhance confidence in the financial system, thereby attracting global capital and lowering borrowing costs for Indian corporates. The RBI's willingness to provide a long adjustment period underscores both its regulatory pragmatism and its commitment to sustained institutional stability.

ECB and Financing Patterns of Corporates

The RBI's October 2025 announcements propose a revamped external commercial borrowings (ECB) framework, easing access to foreign capital by allowing firms to raise up to \$1 billion or 300% of net worth annually—whichever is higher—replacing rigid \$750 million caps. This market-linked approach ties the minimum average maturity to borrower credit ratings, promoting cheaper global funding for infrastructure and expansions while mandating hedging for currency risks.

Amid moderating bank credit (down to 6.5% YoY growth in August 2025), the financing pattern of private corporates is diversifying. RBI data shows that ECB inflows hit \$61 billion in FY25 (up 26% YoY), comprising 14% of total funding, versus 11% in FY24. Bonds surged to 29% of the share, and equity (via IPOs) made up 10%, reducing bank reliance to 49%. This shift enhances liquidity but heightens forex exposure, aligning with RBI's stability mandate.

Looking in detail at the bank credit deployment in 2025, non-food bank credit growth in India moderated, reflecting cautious lending amid global uncertainties and high base effects. RBI data from 41 scheduled commercial banks, covering 95% of non-food credit, shows a 9.9% year-on-year (YoY) increase as of August 22, 2025, reaching 166.6 lakh crore, down from 13.6% in August 2024.

Industrial credit slowed to 6.5% YoY (38.7 lakh crore) from 9.7%, while services sector lending decelerated to 10.6% (48.2 lakh crore) from 13.9%. Personal loans grew 11.8% (54.1 lakh crore) from 13.9%, with vehicle loans at 10.2% and credit card advances at 14.1%. Agriculture credit fell to 7.6% (18.9 lakh crore) from 17.7%. MSMEs showed robust growth at 12.4% YoY, supporting economic resilience.

AI and the RBI's Regulatory Sandbox

Artificial intelligence is rapidly transforming financial services, from credit underwriting and fraud detection to risk modeling. Recognizing these potential 'use cases' of AI in central banking, the RBI rolled out its updated regulatory sandbox for AI applications, providing a safe and structured environment for fintechs, banks, and technology firms to test innovations with live customers and real data.

Before the MPC meetings, the RBI introduced its FREE-AI (Framework for Responsible and Ethical Enablement of Artificial Intelligence), a pioneering initiative to integrate AI into India's central banking. Anchored in an enhanced GenAI Digital Sandbox, as outlined in the RBI report, this framework enables fintechs, banks, and technology firms to test AI applications—such as predictive credit underwriting, real-time fraud detection, and advanced risk modeling—with live customer data in a controlled environment. Its 26 actionable recommendations, including fostering indigenous AI to reduce foreign tech dependency, prioritizing data privacy, algorithmic fairness, and cybersecurity, ensure innovation aligns with systemic stability.

Analytically, FREE-AI's strength lies in its dual focus: accelerating AI adoption, projected to add \$500 billion to India's GDP by 2025, while embedding robust risk controls. This contrasts with global approaches. The European Central Bank (ECB), through its May 2024 report and July 2024 AI Act,

emphasizes mitigating systemic risks like model opacity but lacks a testing sandbox, potentially slowing innovation. The U.S. Federal Reserve's AI Program (December 2024) focuses on supervisory AI for regulatory compliance, addressing bias and privacy but with less emphasis on market-driven innovation compared to RBI's outward-looking approach. Singapore's Monetary Authority (MAS), via its 2024 FinTech Sandbox and January 2025 Pathfin.ai initiative (backed by S\$27 million grants), mirrors RBI's experimental ethos, with shared interests in ethical AI governance and cross-border collaborations, such as quantum-AI sandboxes.

By blending ECB and Fed's risk mitigation with MAS's innovation-driven model, FREE-AI positions India as a fintech vanguard. It fosters inclusive growth by ensuring equitable access to AI-driven services while addressing digital divides. Challenges include scalability for smaller firms and stringent enforcement, but RBI's globally aligned framework signals a transformative commitment to ethical AI, balancing financial stability with cutting-edge innovation for India's economic future.

Liquidity Management, Global Headwinds & VRRR

Liquidity management has emerged as a central theme, especially with rising global volatility. The RBI has continued to maintain a 'neutral' stance, ensuring there is sufficient liquidity to cushion against global shocks while avoiding excesses that might stoke inflation or asset bubbles.

A notable change is the discontinuation of the Variable Rate Reverse Repo (VRRR) auctions, a move that underscores the RBI's growing confidence in the domestic liquidity situation and its focus on targeted liquidity management tools. The external context is challenging: new US tariffs, slow recovery in global trade, and ongoing geopolitical conflicts, particularly in the Middle East and Eastern Europe, add uncertainty to export growth and currency stability.

The RBI's forward guidance stresses a cautious path for interest rates—reactive to changing dynamics, but firmly anchored by the sole objective of price stability. The fiscal costs are minimal. Rather the rally in bond markets with long term cut off yield rate down to 6.51% helps in reducing borrowing costs and debt servicing.

To conclude, the October 2025 RBI MPC meeting stands as a watershed moment for monetary and regulatory policy in India. The direct assumption of regulatory reforms by the RBI, away from committee-driven frameworks, signifies a bold and pragmatic approach aligned with the complexities of the modern financial world. By mandating price stability as the sole objective of monetary policy, aligning capital, credit loss, and AI frameworks with global standards, and streamlining business and credit operations, the RBI has laid the foundation for the next phase of India's financial reforms. The

ultimate challenge remains the revival of private investment and the full absorption of technological advances and AI, but the RBI as a regulator have set the stage for resilient, inclusive, and innovation-friendly growth. ■

Source: Money control dated 8/10/2025

The author is Professor, NIPFP and Governing Board Member of International Institute of Public Finance, Munich - LEKHA CHAKRABORTY) Views are personal and do not represent the stand of this publication.

[2025 (184) FLR 873]
(TELANGANA HIGH COURT)
ALOK ARADHE, C.J. and J. SREENIVAS RAO, J.
W.P. No. 12361 of 2015
September 20, 2024
Between
SYNDICATE BANK, HYDERABAD
and
REGL. P.F. COMMISIONER, HYD. and others

Employees' Provident Funds and Miscellaneous Provisions Act, 1952-Sections 11(2) and 14-B-Failure to pay loan amount-D.R.T. allowed the petitioner to recover alongwith current and future interest-Bank sold two properties of society-Proceeding to recover P.F. dues were also initiated-Damages with interest claimed-Debt Recovery Tribunal (D.R.T.) gave preference to the recovery proceeding by P.F. authorities rather than Bank-D.R.A.T. modified the order of D.R.T. only to the extent of reducing rate of interest-Hence, instant petition - *Held, claim of P.F. authorities was only to the contribution made by employees or the employer-Amount of damages under section 14-B of Act, 1952 was not included in section 11(2) of Act, 1952-Order of D.R.A.T. regarding payment of damages under section 14-B of Act, 1952 as well as the interest quashed -Order passed by D.R.A.T. modified to that extent-Writ petition disposed of. [Paras 13 to 17]*

Section 11(2) of the 1952 Act applies to the extent of employee's contribution or the employer's contribution and creates the first charge on the assets of the establishment.

Section 11(2) of the 1952 Act applies only to the extent of the contribution which may be made by the employees or the employer and the amount of damages under Section 14-B of the 1952 Act as well as the amount of interest which may be payable on the amount of provident fund which may be due from an employer is not included within Section 11(2) of the 1952 Act.

The bank shall pay the amount due by the employer towards employee's provident fund as well as the employer's contribution of the provident fund only to the Regional Provident Fund Commissioner. The order dated 08.12.2014 passed by the Debts Recovery Appellate Tribunal insofar as it directs payment of the amount of damages under Section 14-B of the 1952 Act as well as the amount of interest on the amount of provident fund due is set aside.

Counsel for the Petitioner: A. Krishnam Raju.

Counsel for the Respondent: T. Dasi Kumar.

JUDGMENT

ALOK ARADHE, C.J.- Mr. A. Krishnam Raju, learned counsel for the petitioner.

2. This writ petition is directed against the order dated 08.12.2014 passed by the Debts Recovery Appellate Tribunal at Kolkata by which the appeal filed by the petitioner under Section 20 of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (hereinafter referred to as, "the 1993 Act"), has been disposed of.

3. In order to appreciate the challenge of the petitioner to the impugned order, relevant facts need mention which are stated *infra* .

4. The petitioner bank (hereinafter referred to as, "the bank"), through its Moula Ali Branch, Hyderabad, extended financial assistance to M/s. Water Development Society, a society registered under the Andhra Pradesh (Telangana Area) Public Societies Registration Act, 1350 Fasli (hereinafter referred to as, "the Society"). The Society availed of credit limits from the bank and created charges in respect of immovable properties as a security for the loan availed by it. The Society failed to repay the amount of loan to the bank. Thereupon, the bank filed O.S. No. 81 of 1993 before the learned Additional Subordinate Judge, Ranga Reddy District at Saroornagar. On constitution of the Debts Recovery Tribunal, the suit was transferred to the Debts Recovery Tribunal, Bangalore , and it was registered as O.A. No. 406 of 1996. By an order dated 11.07.1997, the Debts Recovery Tribunal, Bangalore, allowed the same and the bank was held entitled to recover a sum of ₹ 3,92,96,550.85 ps. alongwith current and future interest from the date of the suit till the date of realization of the amount. In addition, the bank was further held entitled to recovery of an amount of ₹ 8,93,935/-.

5. The bank thereafter initiated proceedings under Section 25 of the 1993 Act for recovery of the aforesaid amount. In the aforesaid proceedings, one property belonging to the Society was sold for an amount of ₹ 5,36,50,000/- whereas another property was sold for an amount of ₹1,90,00,000/-.

The bank received an amount of ₹ 6,21,96,000/-, which was realised by way of sale of immovable properties belonging to the Society.

6. The Regional Provident Fund Commissioner filed a claim petition, namely Claim Petition No. 1 of 2000, in O.A.No.406 of 1996 before the Recovery Officer, *inter alia* , on the ground that the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (hereinafter referred to as, "the 1952 Act"), applies to the Society as it is an establishment within the meaning of the 1952 Act. It was averred in the said petition that the Society failed to pay the provident fund contribution for the period from March, 1991 to December, 1992 and is also liable to pay damages of about ₹ 17.00 lakhs and interest under Section 14-B of the 1952 Act.

7. The Recovery Officer, by an order dated 11.01.2001, dismissed the petition filed by the Regional Provident Fund Commissioner. Against the order passed by the Recovery Officer, the Regional Provident Fund Commissioner preferred an appeal before the Debts Recovery Tribunal, Hyderabad . The Debts Recovery Tribunal, by an order dated 26.09.2008, *inter alia* , held that Section 11 of the 1952 Act creates a right/statutory charge in favour of the claimant and the bank cannot claim priority even in respect of their debt, which is secured by the mortgage. The Debts Recovery Tribunal placed reliance on a Full Bench decision of the Madras High Court in *UTI Bank v. Deputy Commissioner of Central Excise*. Accordingly, the appeal was allowed and the bank was directed to pay an amount of ₹ 29,71,810/- alongwith future interest @ 16% per annum compounded monthly from 17.01.2000 till the date of payment.

8. The bank thereupon challenged the aforesaid order in an appeal before the Debts Recovery Appellate Tribunal at Kolkata. The Debts Recovery Appellate Tribunal, by an order dated 08.12.2014, modified the order passed by the Debts Recovery Tribunal and reduced the rate of interest from 16% per annum compounded monthly from 17.01.2000 as to 12% simple interest per annum from 17.01.2000. Accordingly, the appeal was disposed of. In the aforesaid factual background, the bank has filed this writ petition.

9. Learned counsel for the bank, while inviting the attention of this Court to Section 11(2) of the 1952 Act, submits that the same is applicable only in respect of the employee's contribution or the employer's contribution. However, the amount of interest and the amount of damages under Section 14-B of the 1952 Act could not be included. It is further submitted that the Debts Recovery Appellate Tribunal has failed to appreciate the aforesaid aspect of the matter.

10. We have considered the submissions made by the learned counsel for the bank and have perused the record.

11. Before proceeding further, it is apposite to take note of Section 11 of the 1952 Act, which deals with priority of payment of contributions over other debts. Section 11 of the 1952 Act reads as under:

"11. Priority of payment of contributions over other debts : (1) Where any employer is adjudicated insolvent or, being a company, an order for winding up is made, the amount due-

- (a) from the employer in relation to an establishment to which any Scheme or the Insurance Scheme applies in respect of any contribution payable to the Fund or, as the case may be, the Insurance Fund, damages recoverable under section 14-B, accumulations required to be transferred under sub-section (2) of section 15 or any charges payable by him under any other provision of this Act or of any provision of the Scheme or the Insurance Scheme; or
- (b) from the employer in relation to an exempted establishment in respect of any contribution to the Provident Fund or any Insurance Fund (in so far it relates to exempted employees), under the rules of the Provident Fund or any Insurance Fund, any contribution payable by him towards the Family Pension Fund under sub-section (6) of section 17, damages recoverable under section 14-B or any charges payable by him

to the appropriate Government under any provision of this Act or under any of the conditions specified under section 17, shall, where the liability thereof has accrued before the order of adjudication or winding up is made, be deemed to be included among the debts which under section 49 of the Presidency-towns Insolvency Act, 1909 (3 of 1909), or under section 61 of the Provincial Insolvency Act, 1920 (5 of 1920), or under Section 530 of the Companies Act, 1956 (1 of 1956), are to be paid in priority to all other debts in the distribution of the property of the insolvent or the assets of the company being wound up, as the case may be.

Explanation.- In this sub-section and in section 17, "insurance fund" means any fund established by an employer under any scheme for providing benefits in the nature of life insurance to employees, whether linked to their deposits in provident fund or not, without payment by the employees of any separate contribution or premium in that behalf.

(2) Without prejudice to the provisions of sub-section (1), if any amount is due from an employer whether in respect of the employee's contribution (deducted from the wages of the employee) or the employer's contribution, the amount so due shall be deemed to be the first charge on the assets of the establishment, and shall, notwithstanding anything contained in any other law for the time being in force, be paid in priority to all other debts."

12. A three-Judge Bench of the Supreme Court in *Maharashtra State Cooperative Bank Limited v. Assistant Provident Fund Commissioner*, has taken into account the scope and ambit of Section 11(2) of the 1952 Act and in paragraph 28 has held as under:

"28. Sub-section (2), which was added to Section 11 by Act 40 of 1973 contains a non obstante clause and lays down that if any amount is due from the employer whether in respect of the

employees' contribution deducted from the wages of the employee or the employer's contribution, the same shall be deemed to be the first charge on the assets of the establishment and shall, notwithstanding anything contained in any other law for the time being in force, be paid in priority to all other debts. To put it differently, sub-section (2) of Section 11 not only declares that the amount due from the employer towards contribution under the Act shall be treated as the first charge on the assets of the establishment, but also lays down that notwithstanding anything contained in any other law, such dues shall be paid in priority to all other debts."

13. Thus, it is evident that Section 11(2) of the 1952 Act applies to the extent of employee's contribution or the employer's contribution and creates the first charge on the assets of the establishment.

14. However, as stated supra, Section 11(2) of the 1952 Act applies only to the extent of the contribution which may be made by the employees or the employer and the amount of damages under Section

14-B of the 1952 Act as well as the amount of interest which may be payable on the amount of provident fund which may be due from an employer is not included within Section 11(2) of the 1952 Act.

15. Therefore, it is directed that the bank shall pay the amount due by the employer towards employee's provident fund as well as the employer's contribution of the provident fund only to the Regional Provident Fund Commissioner. The order dated 08.12.2014 passed by the Debts Recovery Appellate Tribunal insofar as it directs payment of the amount of damages under Section 14-B of the 1952 Act as well as the amount of interest on the amount of provident fund due is set aside.

16. To the aforesaid extent, the order passed by the Debts Recovery Appellate Tribunal is modified.

17. In the result, the writ petition is disposed of.

Miscellaneous applications pending, if any, shall stand closed. However, there shall be no order as to costs.

Petition Disposed Of.

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