

# SYNDICATE BANK EMPLOYEES' UNION (REGD)

(AFFILIATED TO AIBEA)

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**23, 24, 25 NOVEMBER 2013**

## **Expose defaulters who owe banks over Rs 1 crore, AIBEA tells Govt**

**Make wilful default a criminal offence; says debt recast a cover-up for bad loans**

KOCHI, NOV. 24: BUSINESSLINE

**All-India Bank Employees Association**, which will **observe December 5 as an 'All-India Demands Day'** to highlight the threat of bad loans to the banking sector, has urged the Government to publish the names of all loan defaulters who owe banks more than a Rs 1 crore.

The association also wants the Government to make willful default of bank loans a criminal offence, and bring changes in debt recovery laws to speed up recovery of loans.

C. H. Venkatachalam, General Secretary of AIBEA, pointed out in a statement that bad loans in public sector banks had leapfrogged over the last few years. While **the gross NPA (non-performing asset) was Rs 39,030 crore in March 2008, it jumped to Rs 1,64,461 crore in March this year.**

The quantum of bad loans in the entire banking sector, including foreign banks, is now over Rs 2-lakh crore.

Fresh bad loans were growing at an alarming pace. Quoting RBI data, he said **banks had added nearly Rs 5-lakh crore to their bad loans between 2007 and 2013.** "There clearly is a nexus among borrowers, banks and political administration," Venkatachalam said.

### **PROVISIONING BURDEN**

He noted that provisioning for bad loans was taking away a huge chunk of banks' profits. In just five years, between 2008 and 2013, the banks made a bad loan/NPA provisioning of Rs 1,40,266 crore. "**It appears that banks are earning profits only to donate the same to hide corporate delinquency,**" he pointed out in the statement.

Of the gross NPA of Rs 1.64-lakh crore, just four top bad loans accounted for Rs 22,666 crore. And, of the gross NPA, Rs 68,000 crore was of borrowings above Rs 1 crore.

The statement alleged that the **scheme of corporate debt restructuring was a cover-up for bad loans.**

Most banks suppressed the enormity of their NPAs, by showing reduced amounts of bad loans through provisioning, write-offs, concessions, waivers, one-time settlements and other means. "**Of late, banks are resorting to heavy restructuring of bad loans to artificially show them as performing loans.**"

### **WRITE-OFFS RISING**

The amount of write-offs is on the rise. According to the RBI, **bad loans worth Rs 1.41-lakh crore was written off during 2007-13.** Most of these write-offs were in favour of the big defaulters and corporate borrowers.

At the same time, the **provision-coverage ratio was falling.** Provisioning was a back-up against any possible contingency, but because of the increase in bad loans, banks were unable to make adequate provisions, thus making the banks more vulnerable to risks.

The current ratio was just 45 per cent, while the average provisioning ratio globally was 70-80 per cent.

In view of the alarming bad loans situation in the banking sector, AIBEA has called upon its members to mount a relentless effort to recover bad loans and save the banks.

## **AIBEA criticises UPA government's policies**

**RAJKOT:** ECONOMIC TIMES 22 11 2013 / PTI

**All India Banks Employee's Association** (AIBEA) today said the UPA government's economic policy was not in favour of labourers and people in general.

"This government has failed to control the price rise, while the GDP growth has come down to 4 per cent," AIBEA secretary general C H Venkatachalam said here. He was here to attend National Central Committee Meeting of **All India Co-Operative Bank Employees Federation**.

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"Country's economy is facing a tough time while the union government is allowing Foreign Direct Investment in banking sector and privatising and merging nationalised banks. The government should reverse its decision on FDI... privatisation and merger of nationalised banks is not the solution," he said.

"As much as Rs 75 lakh crore of the people are with nationalised banks, and it could be misused after privatisation," he said.

The AIBEA also strongly opposes the union government's decision to give banking licenses to corporates, he said.

AIBEA has already given a call for nation-wide strike on December 19.

## **AIBEA opposes RBI move to grant new bank licenses to private entities**

**VADODARA, THE HINDU** 24 11 2013

***The United Forum of Bank Unions, representing employees of public and private sector banks, has already announced a one-day national strike on December 19 for various demands.***

The **All India Bank Employees Association** (AIBEA) has opposed the RBI move to grant banking licenses to private entities and expressed apprehension that this will lead to "profiteering" and is "inimical" to the interest of the country.

"The government is proposing to give licences to various business houses like Tata, Birla, Ambani, etc, to start private banks. This is not only harmful for the country but also make banking very costly. The issuing of license will not only result in ignoring the priority sector but will also lead to profiteering as it will be the sole motive of corporates. We oppose this proposal in toto," said AIBEA General Secretary C H Venkatachalam.

He was addressing a national conference of the Federation of Bank of India Staff Unions here.

The United Forum of Bank Unions, representing employees of public and private sector banks, has already announced a one-day national strike on December 19 for various demands.

"...Prior to 1969, banks were owned by private business houses and because of their mismanagement, banks were nationalised by the then prime minister Indira Gandhi. Now, again giving license to private players will be harmful for our country," he said.

Mr. Venkatachalam criticised as "retrograde" the RBI guidelines over foreign banks. "RBI in its guidelines allowed foreign banks to take over our domestic banks even they do just over 3 per cent business in India. This should be withdrawn...We need further expansion of banks and strengthening of PSUs," he added.

Venkatachalam said the strike call was given for demands including takeover and merger of banks, rising percentage of bad loans in banks, handing over rural credit to private contract agencies and outsourcing of regular bank jobs, among others.

He said the AIBEA would observe **December 5 as "All India Demands Day"** by wearing badges and holding rallies.

"The demands include publishing names of defaulters of bank loans of above Rs one crore; making wilful default a criminal offence; amendment of recovery laws among others," Mr. Venkatachalam said.

# New banks: RBI favours easing licensing norms

PTI 22 11 2013



## The RBI is likely to issue new banking licences in January 2014.

The Reserve Bank of India on Thursday favoured liberalisation of bank licensing policies which otherwise could hinder entrance of new players and have an adverse impact on the economy and consumers.

“Regulators need to ensure that their regulatory stance does not create barriers to the entry or exit of institutions or result in unwarranted costs to the economy and consumers,” the RBI said in its annual ‘Trends and Progress of banking in 2012-13’ report.

“Instead regulation should impose restrictions on institutions in such a way that it does not cause a moral hazard problem,” the report said.

It could be noted that the RBI is in the process of issuing new banking licenses. It has received as many as 26 applications for bank licences on the close on July 1.

The RBI is likely to issue new banking licences in January 2014.

The RBI said one of its discussion papers favours ‘continuous authorisations’ of new banks and explores the possibility of converting large urban co-operative banks into commercial banks to impart dynamism to the banking system.

“However, this is not to undermine the need for ensuring sufficiently stringent entry norms to prevent the entry of banks of questionable soundness or competence, since their proliferations could undermine public confidence of the overall integrity of the banking system,” the RBI said.

Tata Group and firms controlled by billionaires Anil Ambani and Kumar Mangalam Birla are among those which applied for bank licences.

Among public sector units, India Post, LIC Fome Finance and IFCI have submitted applications. Microfinance institutions such as Bandhan Financial Services and Janalakshmi Financial, too, have expressed their intention to set up banks.

The RBI had issued guidelines for new banks on February 22, and came out with clarifications in the first week of June.

In the past 20 years, the RBI has issued licence to 12 banks in the private sector in two phases. Ten banks were licensed on the basis of guidelines issued in January, 1993, and two in the second phase.

The guidelines were revised in January, 2001, based on the experience gained from the functioning of these banks and fresh applications were invited. Kotak Mahindra Bank and Yes Bank were the last two entities to get banking licences in 2003-04.

## **Picket against HSBC winding down in S'wak**

**Daily Express** Malaysia, Kuching: November 24, 2013

About 200 members of the **Sarawak Banking Employees Union (SBEU)** staged a picket in front of the HSBC Bank here Saturday in **protest against the bank's decision to wind down its commercial banking business in the State.**

In a statement distributed to press members, SBEU said the union was disappointed with HSBC for making a half-baked attempt to mitigate the adverse impact of their move on employees who would lose their jobs.

"At 1.4 times month's salary for each year of service with a cap of 36 months, this is the worst ever offered by any bank in SBEU's long history.

Previously they offered a VSS (voluntary separation scheme) of 2.25 times without a cap," it added.

It added that those who refused to take up the deal would be transferred to either Sabah or Peninsular Malaysia.

Last October, a news report had said that HSBC Bank's commercial banking business in Sarawak would be shut down effective May 1 2014 following a review of its operations in Malaysia which was started in May 2011.

Meanwhile, a delegation of 18 leading US companies organised by the US-Asean Business Council concluded a visit to Malaysia on Friday.

The delegation offered strong support for Malaysia's leading position in international trade discussions, in particular the win-win possibilities represented by the country's participation in the Trans-Pacific Partnership (TPP).

The delegation met with key Malaysian leaders, including Prime Minister Datuk Seri Najib Tun Razak, to discuss the continued evolution of the administration's economic reform agenda centred on the Economic Transformation Programme.

The delegation, which included Ford, Baxter International, UPS, ACE, Microsoft, PayPal (eBay) and Oracle, was led by Kate Clemans, representing Oracle, and Council Vice President for Policy, Marc Mealy.

"While differences still remain to be negotiated during discussions on the TPP, Malaysian public and private sector stakeholders expressed a clear sense of the trade and investment expansion opportunities the TPP could provide to Malaysian companies both large and small," said Mealy in a statement issued in Kuala Lumpur Saturday. - Bernama

## ALL INDIA DEMANDS DAY

5th DECEMBER 2013

- ★ Publish the list of Bank Loan Defaulters of Rs.1 crore and above
- ★ Make willful default of bank loan a criminal offence
- ★ Order investigation to probe nexus and collusion
- ★ Amend Recovery Laws to speed up recovery of bad loans
- ★ Take stringent measures to recover bad loans
- ★ Do not incentivise corporate delinquency



ALL INDIA BANK EMPLOYEES' ASSOCIATION



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