# UNITED FORUM OF BANK UNIONS

C/o. State Bank of India, LHO, Plot No.1, Sector-17A, Chandigarh - 160 017
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**K K NAIR** **SANJEEV K. BANDLISH**
**Chairman** **Convenor**


**15th September, 2017**

To
**Shri Arun Jaitley,**
**Hon, Minister for Finance,**
**Govt. of India,**
**New Delhi.**

Respected Sir,

We are extremely thankful to you for affording this precious time amidst your busy schedule to meet you and to submit the following memorandum to you.

We are from the **UNITED FORUM OF BANK UNIONS (UFBU**) which consists of all the bank unions of employees and officers working in various banks in our country.

We wish to submit the following views and suggestions for appropriate consideration by the Government and necessary positive measures.

**PUBLIC SECTOR BANKS NEED TO BE STRENGTHENED FURTHER**

As of now there are 20 Public Sector Banks in our country and together with the 52 Regional Rural Banks which are also in public sector, these Public Sector Banks constitute nearly 80% of the banking business in our country. Thus public sector banks are the main engines of economic growth and development.

In a developing country like India, we need resources for development. Know as we do about the constraints in finding resources for development, Banks have been playing a vital role in mobilizing the savings of the people and making them available for the developmental projects. Private Banks have their limited and profit making role and hence public sector banks and public sector banking are inevitable for our country's future growth and progress. When economic progress is the avowed objective of the Government, public sector banks have to be further strengthened to enable them to play this patriotic role. Hence Banks are not be privatized.

All of us know that nearly 80% of the deposits of the Banks are domestic savings of the poor and common masses and this precious social capital has to be preserved for utilisation for developmental role. Moreover, this savings needs to be protected against abuse and misuse and people's money needs to be guaranteed. Given the bitter experience of so many private banks abusing and misusing depositors' money leading to closure of banks, we need to be doubly careful and guarantee the safety of people's money which is the most possible in a public sector institution. Hence our Banks are not to be privatized.

Even under the path of development, the needs of sectors like agriculture, employment generation, poverty alleviation, women empowerment, rural development, health and education, infrastructure, etc, are of priority importance and credit is to be made available in big way for these sectors. Important sectors like agriculture, health, infrastructure, poverty reduction programmes and other social measures need to be given credit at cheaper rates necessitating cross-subsidisation which is possible only in public sector institutions with social orientation unlike private banks which are solely profit oriented. Hence Banks are not to be privatized.

But it is observed that there are various measures afoot towards diluting the ownership control of the public sector banks leading to privatization of Banks.

On the one side Government is denying adequate capital to the public sector banks to pressurize more private capital to be augmented. On the other hand, banking is so much liberalized to allow all types of private enterprises to do banking business and corner creamy banking business. In the absence of enough capital provision by the Government, PSBs will be either crippled or forced to be privatized for survival.

Hence Government should give up the present measures which would dilute public sector banks and result in privatization of banks. Country needs economic development for that we need vibrant and effective public sector banking institutions.

## RECONSIDER PLANS OF MERGERS AND CONSOLIDATION OF BANKS

Public sector banks have expanded in our country and hence banking is now by and large available to common people at more and more places and villages. But there is still a great scope and need to further expand to reach all people and places. Banking needs to be more inclusive and make banking services accessible to everyone. This is one of reasons for schemes like Jan Dhan Yojana. Even now large number of people are not able to access banking. Even by global comparison, banking density in India is one of the lowest indicating that banking needs to be expanded further in India. But Government is now talking about mergers and consolidation of banks. According to all reports, mergers would result in closure of branches and reduction in banking accessibility. Mergers would reduce employment potential when our country needs more employment generation. Further, if Banks are made bigger by merger, there is no guarantee that big banks will be strong banks. In many countries big banks have tended to take big risks and have landed in bigger troubles. In India, our banks function with people's money and we cannot afford to take such risks with people's money. We need expansion and not consolidation. There is no evidence that big banks are more efficient rather they are risky. Hence Government should give up the present plans of merger of our Banks.

## HUGE WRITE OFF CORPORATE NON-PERFORMING ASSETS(NPAS)

The only major problem faced by the Banks today is the alarming increasing bad loans. It is around Rs. 15 lac crores including the loans restructured by the banks. It is well-known that bulk of these NPAs are from big borrowers and corporate houses. Earlier they were called bad and doubtful debts, then called as bad loans, till recently as Non Performing Assets and stressed assets but recently nomenclature as dues from non-coopertive borrowers. While some loans becoming bad can be expected and accepted in banking business, today taking loans from banks and making it as NPA has become an exquisite art. Many huge NPAs are deliberately defaulted and hence are willful defaulters under the RBI norms. There are very less efforts by Banks to recover loans given. What is being done is NPA reduction, NPA restructuring, NPA management, NPA resolution, NPA provisioning, NPA write off but no concrete measures are taken for NPA recovery. It is well-known that no interest is received on these bad loans.

Thus, on an average, Banks are deprived of an annual interest income/ revenue of about Rs. 1,50,000 crores. To that extent Banks' profits are dampened and depressed. Adding oil to fire, from the income earned from other performing loans, huge amount is set off and provided towards bad loans.

Rs. In crores

| | **2013-14** | **2014-15** | **2015-16** | **2016-17** |
|---|---|---|---|---|
| Gross Operating Profit | 127653 | 137760 | 136275 | 158982 |
| Provisions for bad loans, etc | 90633 | 100901 | 153967 | 170370 |
| Net profit/Loss after provisions | **37019** | **37540** | **- 18417** | **- 11388** |

From such provisions made from the earned profits, loans are finally written off.

| | **Bad loans written off** |
|---|---|
| 2012-13 | 27,231 cr |
| 2013-14 | 34,409 cr |
| 2014-15 | 49,018 cr |
| 2015-16 | 57,586 cr |
| 2016-17 | 81,683 cr |
| **In 5 years** | **249,927 cr** |

If the account-wise details of these write offs are brought out, it will be revealed that it is in favour of big corporate borrowers. All of them have capacity to repay, and hence it is big drain on banks and national economy. Hence we demand that corporate NPAs should be recovered and not written off.

## DECLARE WILFUL DEFAULT OF BANK LOANS AS CRIMINAL OFFENCE

RBI has defined borrowers as willful defaulters if the loans taken by them are misused, diverted, siphoned off, etc. There are number of loans which come under this definition. They are deliberate defaulters and hence we are demanding that the names of these wilful defaulters be published publicly and such willful default be termed as criminal offence and suitable criminal action should be taken against them. RBI Act should be amended to provide for publication of the names of these defaulters.

## IMPLEMENT RECOMMENDATIONS OF PARLIAMENTARY COMMITTEE ON RECOVERY OF NPAs

The Standing Committee of the Parliament on Finance has discussed the issue of increasing bad loans in the Banks on many occasions and last year they submitted a report to the Government suggesting ways and means to take action on the erring borrowers and to recover the bad loans. So far no action has been taken on this Report's recommendations. Hence it is our demand that the recommendations of the Parliamentary Committee be accepted and implemented to ensure better recovery of bad loans.

## ENSURE ACCOUNTABILITY OF TOP MANAGEMENT/EXECUTIVES FOR BAD LOANS AND PUT IN PLACE STRINGENT MEASURES TO RECOVER BAD LOANS.

Banking is handling people's money. Hence there has to be proper accountability norms when we deal with people's money. While there are rules and regulations on accountability for employees and officers at the lower levels, when it comes to top management, there seems to be laxity to provide for strict rules of accountability. Especially, when huge powers are given to the top Executives for sanctioning big loans and also to write off the loans, such provisions are very crucial.

**WITHDRAW PROPOSED FRDI BILL**

Already there are many rules and legislations are in place under the existing laws and Acts. The objective of this Bill is obviously to heavily empower the new authority with sweeping powers to dismantle and erase public sector financial institutions like banks and insurance companies and hence it is apparently draconian. Hence we demand the withdrawal of this Bill.

**DO NOT ALLOW BANKS TO PASS ON THE BURDEN OF CORPORATE NPAs ON BANK CUSTOMERS BY HIKING CHARGES**

We have already stated that huge amount of earnings and income of the banks are set off against bad loans of big borrowers. Consequently, the profits and profitability of the banks are adversely impacted. Some of the Banks are compelled to show losses though earning very good operating profits. Instead of recovering the bad loans and preventing these losses, banks are increasing the charges to the common customers for all types of normal banking services. Even penal charges are made applicable. Now, interest rate on savings deposits of small customers are reduced while write off of crores of rupees of bad loans for corporate borrowers goes unabated. We demand that this passing on the burden of bad loans on the ordinary bank customers is unfair and hence to be stopped.

**REIMBURSEMENT OF COST OF DEMONETISATION AND OTHER GOVERNMENT SCHEMES TO BANKS BY THE GOVERNMENT**

Demonetisation scheme was announced by the Government in Nov.2016 to deal with black money, fake notes, etc. Banks were asked to handle the scheme for its implementation. The whole country witnessed the magnificent manner in which banks and banking staff handled such a tough situation. In the process Banks have incurred substantial amount as expenses and this has further impacted their profits. When Banks are already facing challenges of reduction in profits, it is expected that Government should reimburse the Banks the cost of implementing the demonetisation scheme etc.

Yours faithfully,

**Sd..**
**SANJEEV K. BANDLISH**
**CONVENER(UFBU)**

**Sd..**
**K. K. NAIR**
**CHAIRMAN**

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**SANJEEV K. BANDLISH** — **Convenor**


**15th September, 2017**

**To**

**Shri Arun Jaitley**

**Hon Minister for Finance,**
**New Delhi.**

Dear Sir,

**Reg: Undue delay in appointment of Workman Employee and Officer Employee Directors in the Banks**

You are kindly aware that the Bank Nationalisation Act provides for appointment of Workman Employee Director and Officer Employee Director in all the Public Sector Banks. The scheme has been in vogue since 1972 and all these years, the Workman Employee and Officer Employee directors have been appointed in terms of the procedure provided in the Scheme. This scheme was included in the Act in order to provide workers participation at the Board management level.

While so, we are concerned to observe that for the past three years, no appointments of workman employee director and officer employee director has been released by the Government. As of now, in all the Public Sector Banks, both these posts are kept vacant and remain unfilled. Not filling up these posts amount to negation of representation and right of workers participation.

As provided in the scheme, the names of panel have been duly submitted to the Banks and in turn, the Banks have also forwarded the same to the Government with their due recommendations. But, the papers are kept pending at the Government level for months together. This has created serious apprehensions in the minds of the unions and employees that the Government is deliberately avoiding to appoint these directors.

We urge upon you to look into this matter earnestly and seriously and give necessary instructions to ensure the appointment of workmen employee directors and officer employee directors in all the banks without any further delay.

Thanking you,

Yours faithfully,

| | |
|---|---|
| **Sd..** | **Sd..** |
| **K.K. NAIR** | **SANJEEV K. BANDLISH** |
| **CHAIRMAN** | **CONVENER** |

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**15th September, 2017**

To
**Shri Arun Jaitley,**
**Hon, Minister for Finance,**
**Govt. of India,**
**New Delhi.**

Respected Sir,

**Reg: Allocation of funds for Staff Welfare Scheme in the Banks**

You are aware that in order to motivate and incentivize the employees of the Banks, the Government has given its guideline for implementing various welfare schemes for the benefit of the employees and officers and their families. The scheme provides for allocation of 3% of the published net profit of the banks towards these staff welfare schemes.

For the past two years, due to RBI's guidelines, maximum amounts are being provided towards provision for Non-Performing loans in the Banks. This has resulted in drastic reduction in the net profits of the banks and many banks have even turned red. The following table will explain the drastic reduction in net profits of the banks in the last few years.

Rs. In crores

| | **2013-14** | **2014-15** | **2015-16** | **2016-17** |
|---|---|---|---|---|
| **Gross Operating Profit** | **127,653** | **137,760** | **136,275** | **158,982** |
| Provisions for bad loans, etc | 90,633 | 100,901 | 153,967 | 170,370 |
| **Net profit/Loss after provisions** | **37,019** | **37,540** | **- 18,417** | **- 11,388** |

Hence, we have been requesting the Indian Banks' Association and the Government to allow allocation of funds towards Staff Welfare Schemes out of the Operating Profits of the banks instead of Net Profits.

Since Net Profits are negative in many Banks, the employees and officers of these banks are being deprived of any allocation towards staff welfare schemes. You will appreciate that employees have no control over the provisions to be made and consequently on the net profits of the banks. Hence, in all fairness, it would be proper that the allocation for staff welfare schemes is made out of the operating profits of the banks.

We request you to kindly consider this genuine representation favourably and pass necessary instructions to the Department for issuing revised guidelines to the Banks.

Thanking you,

Yours faithfully,

| | |
|---|---|
| **Sd..** | **Sd..** |
| **SANJEEV K. BANDLISH** | **K. K. NAIR** |
| **CONVENER(UFBU)** | **CHAIRMAN** |

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**15th September, 2017**

To
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**Hon, Minister for Finance,**
**Govt. of India,**
**New Delhi.**

Respected Sir,

**Reg: Wage Revision Negotiations**

We are thankful to you for advising the Indian Banks' Association for initiating the wage revision negotiations in the Banks with a view to expedite and conclude the Settlement before November, 2017, when the next wage revision becomes due.

Accordingly, Indian Banks' Association has commenced the discussions with the unions on the Charter of Demands submitted by us for revision of wages and improvement in service conditions.

You will be aware that in respect of Officers, right from 1979, at the instance of the Government, the Officers' service regulations covering pay scales and other entitlements of the officers are covered from Scale-I Officers to Scale-VII Officers. However, in the current negotiations, the Indian Banks' Association has informed us that this time, the Officers negotiations will be confined only from Scale-I to Scale-III. Thus, the officers from Scale-IV to Scale-VII are attempted to be kept out of negotiations and wage revision.

We request you to interfere in the matter and advise the Indian Banks' Association to include all Officers from Scale-I to Scale-VII in the ensuing wage revision.

Thanking you,

Yours faithfully,

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|---|---|
| **Sd..** | **Sd..** |
| **SANJEEV K. BANDLISH** | **K. K. NAIR** |
| **CONVENER** | **CHAIRMAN** |