



ALL INDIA BANK OFFICERS' CONFEDERATION

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State Bank of India Officers' Association

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To,

Prof. K V Thomas

Member of Parliament &

Chairman, Public Accounts Committee

New Delhi

Respected Sir,

REQUEST FOR APPEARING BEFORE THE PUBLIC ACCOUNTS COMMITTEE

At the outset, I would like to extend heartfelt greetings on behalf of the AIBOC (All India Bank Officers' Confederation), an umbrella organisation representing 2,85,000 Bank Officers of the Nation. Through this communiqué, we want to place before your good office a few pertinent and significant issues which, if not addressed appropriately, may cause irreparable damage to the banking industry in our country.

02. Sir, you are aware that the public sector banks have been specifically targeted by the present government since long. In fact, over the last decade PSU Banks have been the soft targets of various Governments. The present Government appears less interested to address the serious issues for a turnaround of the PSU Banks and seems reluctant to initiate any concrete action to consolidate and improve our position. For instance, NPA is a major issue concerning all the banks. The NPA crisis of state-owned banks has surged 56.4 per cent in the 12-month period ending December 2016. It is set to rise further in the next two quarters with the small and medium sectors struggling to repay the loans after the government's demonetisation move. Despite Reserve Bank of India's numerous restructuring schemes, the quantum of bad loans have risen from Rs 261,843cr by 135 per cent in last two years. They now constitute 11 per cent of the gross advances of Public Sector banks. Five banks have reported gross NPA ratios of over 15 per cent. Indian Overseas Bank's (IOB) gross NPA ratio reads 22.42 per cent, which means Rs 22.42 out of Rs 100 lent by the bank will be classified as bad loan. Similarly, UCO Bank has an NPA ratio of 17.18 per cent, United Bank of India's (UBI) read 15.98 per cent, for IDBI Bank it is 15.16 per cent and for Bank of Maharashtra it reads 15.08 per cent. The situation is deteriorating day by day and it is not surprising that a significant share of such mounting NPAs is attributed to the huge amount of corporate loans given by the Banks. We observe that all banks are focused in undertaking writing off exercises to clean up their balance sheets instead of concentrating efforts to recover the monies from the wilful corporate defaulters. State Bank of India, we have been given to understand has written off loans worth about Rs 7,016 crore owed to it by more than 60 wilful corporate defaulters.

03. It is an irony that the Govt. is soft-pedaling on the issue of revamping laws on loan defaulters, which inter-alia, make wilful default a criminal offence under the Indian Penal Code and defining timelines to ensure that those with unpaid bank loans do not take recourse to repeated adjournments in debt recovery tribunals to delay payment. Sir, we would also like to pin-point that bad debts and non-performing loans are not the only issues that Indian banks are grappling with at the moment. Many banks are also struggling with asset-liability mismatches. The situation has been further deteriorated by the Demonetization drive declared by the Prime Minister in November last year. Although the Reserve Bank of India

flagged its concern over the asset-liability mismatch in the banking system but it could not pinpoint the challenges and find any solution.

04. Recently, the Dept. of Finance, GoI, sent a proposal for 10 Banks for a turnaround plan. 10 Banks have been identified by the Government where capital infusion in future will be conditional, viz. IDBI Bank, Bank of India, UCO Bank, Andhra Bank, Indian Overseas Bank, Dena Bank, United Bank of India, Allahabad Bank, Bank of Maharashtra and Central Bank of India. The unions/ Associations of these banks are being coerced to sign an MOU in respect of what is termed "a Turn-around Plan". Thus unions/ Associations are being made scapegoats to undertake the responsibility for turnaround of their respective Banks, when they were not a party to the credit decisions. In fact none of these except one have an Officer / Employee director in the Board for long. The entire fiasco is the outcome of a flawed policy of the Government for which the entire banking industry today is facing the menace of mounting NPAs. While the major portion of the NPA are big ticket loans which includes infrastructure projects, steel, telecom etc, the credit decision in such cases have been accorded sanction by senior executives and the Boards of the Bank. It is also not out of place to mention that at present there is virtually no representation in the Central Board from the employees/officers in PSU Banks. Incidentally, the standing committee on finance recommended in Feb 2016 for accountability of nominee Directors of RBI / Ministry on the Bank Boards as well as the CMDs / MDs of banks. The list of top wilful defaulter as suggested by the standing committee is yet to be published. We strongly feel that the responsibility of the rising NPA cannot be shifted to the employees to shield those who are responsible and accountable for the erroneous decisions along with the wilful defaulters.

05. AIBOC has strong reservations to the conditions like mobilizing capital from market and closure of Branches, which are supposedly a part of the turnaround plan. We also oppose imposition of the condition of reorientation of perquisites of employees and officers of these banks till their organisations register a turn around. In the likelihood of all officers and employees foregoing their salaries and perquisites for one year, will not have any significant financial impact on registering a turnaround of the Banks.

06. Under the given circumstances, the AIBOC being a stake holder in the banking industry and the representative of the 2,85,000 Bank Officers, would like to request you for taking some time out of your busy schedule and arrange to have a threadbare discussion with our representatives on the various challenges that the Banks are facing and work together for a probable solution. Thanking you in anticipation.

Yours faithfully,



(D. T. Franco)
General Secretary