AIRRBOF News Letter
May, 2016
Sky is not the limit, we cover it...
The Voice of All India RRB Officers' Federation
Vol - XXIII SILIGURI No. 05

EDITORIAL

EPF FLIP-FLOPS

Labour unions will undoubtedly claim victory for forcing the Centre to go back on its decision to reduce the interest rate on Employee Provident Fund (EPF) deposits to 8.7 per cent. Faced with concerted protests, and stiff opposition to the move even from the Ministry of Labour, the Finance Ministry has agreed to stick to the Labour Ministry-recommended rate of 8.8 per cent for 2015-16. This marks the third roll-back of reform measures in as many weeks on the EPF front. Earlier, a Budget decision to tax EPF withdrawals was withdrawn, followed by the roll-back of a notification placing restrictions on premature withdrawals. Given the widespread public resentment against the proposed measures, and the rapidity with which the Centre has caved in, EPF is on its way to becoming one of the 'untouchables' of policy reforms, like reservations.

It will be a great pity if that happens. The EPF is in urgent need of reforms. Given the near-total absence of any kind of social security in India, provident funds and pensions are virtually the only means by which a vast majority of ordinary Indians can secure their old age. Ensuring such security should be the first — indeed the only — focus of policy measures. Instead, both the Centre and the unions have looked only at short-term fall-outs. There is an urgent need for reforming the EPF. The EPFO's 'surpluses', on which it relies to pay interest to subscribers, are less due to efficient investments and more due to an inefficient and opaque system which has resulted in vast numbers of inoperative accounts and unclaimed funds. There is also a need to provide parity between various pension products. For instance, while the roll-backs will benefit organised sector employees, others, who constitute the larger part of the workforce, and have only the Public Provident Fund (PPF) or the National Pension Scheme (NPS) as options, will perforce, miss out. This not only disincentives the PPF and the NPS, but also works against the longer term interests of even EPF beneficiaries.

The developments underscore the need to build consensus and engage with all stakeholders on reforms, particularly as the Centre attempts more 'difficult' structural reform. Unless it is able to adequately demonstrate the benefits of reforms — to all stakeholders, not just a privileged few — it will be impossible to move ahead. For instance, there was nothing inherently wrong or illogical in what the Centre attempted to do with the EPF; it only failed to sell its point of view effectively. That would have been only possible if issues had been discussed in a transparent manner and resolution sought through discussion and collaboration. The time for reforms by decree is long past.

Enrich Your Knowledge:

ON THE PRIVATE ROUTE

Public sector banks, which have been a engine of growth in India since their nationalisation, financing agriculture, industry and infrastructure development, at times even at cost of their own financial health, have unfortunately been treated like cash cows, with successive governments milking them to the maximum before leaving them in the lurch.

The neoliberal policies which the erstwhile United Progressive Alliance (UPA) government initiated, seriously undermining the financial health of the PSBs, have been followed with even more enthusiasm by the Bharatiya Janata Party (BJP) – led National Democratic Alliance (NDA) government, seriously jeopardising their survival.

The policies being followed by the present dispensation are deliberately pushing them over the brink, in order to make way for their privatisation. It seems a covert and stealthy exercise to reserve the nationalisation of banks is under way, given the series of policy decisions being unfolded by the Narendra Modi regime.

The first and foremost of these decisions is the gradual implementation of the P.J. Nayak committee report. The committee was appointed by the UPA government in January 2014 to examine the working of PSBs and to ascertain whether adequate time was being devoted to the issues of strategy, growth, governance and risk management, and also to review issues such as the Reserve bank of India's (RBI) regularity guidelines on bank ownership concentration and representation on the beards.

The terms of reference, industry experts had claimed then, were aimed at preparing the ground to hand over the banking industry to the private sector. The committee submitted its report within three months, in April 2014. But by then it was election time and the report gathered dust.

In January 2015, the Modi government took up this report and discussed it threadbare at a "Gyan Sangam" or bankers' retreat on January 2 – 3, 2015, in Pune. The gathering, which was conducted to chalk out a road map for PSBs, was addressed by Modi himself, with P.J. Nayak in attendance. It not only endorsed the report in full but adopted its recommendations as follows:

* The Government of India should get out of the ownership of PSBs at the earliest by diluting its stake to less than 50 per cent.

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* The equity held by the government in all banks should be transferred to a holding company to be set up by the name of Banking Investment Company (BIC).
* It should be an all – power full body and take over the government's responsibilities in relation to the governance of banks in due course.
* Regulatory power of the government and the RBI should be vested fully with BIC and to achieve that, the RBI and the government's nominees should be withdrawn from banks' board.
* The responsibility of choosing the chief executives, top executives and non executive directors of banks, which rests with government now, should be entrusted to a separate entity called Banking Board Bureau, which will initially function independently and be taken over by BIC when it comes into being.
* PSBs should be freed from the purview of entities such as the Central Vigilance Commission (CVC) and the Central Bureau of Investigation (CBI) in order to give them a level playing field vis-à-vis private sector banks.
* Campus hiring should be facilitated and priority sector lending should be made profitable or reduced.
* Industry-level staff wages should be removed and staff wage revision made separate as per the performance of individual banks.
* Salaries should be restructured to incorporate variable pay, which should be linked to banks' performance.

In a nutshell, the recommendations prepared the road map for denationalization of PSBs. Its after-effect were felt when the government announced in the last year's Budget that the Banking Boards Bureau would start functioning from April 2016.

Subsequently, the government organised a banking sector conclave in August 2014, called Indradhanush, to discuss the "road map for the future of the banking industry". One of the outcomes of this conclave was the announcement that top executives of PSBs would henceforth be recruited from the private sector.

Banking personnel are worried that the government is gradually unfolding its privatisation agenda. The fear gets further substantiated when the background of the present dispensation is taken into account. Several bank officials pointed out that at the time of bank nationalisation, the Jana Sangh, the BJP's predecessor, was the only party that opposed it.

Then, during the previous NDA regime, Finance Minister Yashwant Sinha introduced a Bill in Parliament in December 2000 proposing to reduce the government's share in banks to 33 per cent, which was vehemently opposed by the unions and associations that were supported by the Left parties. Owing to the Left's opposition, the Bill was sent to a standing committee and subsequently put on hold. Banking personnel fear that the NDA government, armed with a huge majority and the Nayak Committee report, could revive the agenda now.

"It is clear the government is determined to privatise public sector banks," said D. Thomas Franco, senior vice-president of the All India Bank Officers' Confederation. "Their frequent argument that public sector banks need huge capital to meet the requirements of Basel III norms, to the tune of Rs.1,80,000 crore in the next five years, points to a conspiracy because we do not need to enforce Basel III norms. Many developed countries, including the United States, have not even implemented Basel II norms. Basel norms are not mandatory. Our banks are in the public sector, covered by the sovereign guarantees of the Government of India, so we are not bound to give Basel norm guarantees."

Franco, who is also general secretary of the SBI Officers' Association, said the hue and cry over increasing non-performing assets (NPAs) in banks, which are also cited as a requirement for the huge recapitalisation needs of PSBs, is a fraud. "It is like calling the dog mad so that you can shoot it," he said.
Bank associations have been extensively exposing the farce being played out in the name of NPAs, raising serious questions about the government's intentions, he added.

According to Franco, the bulk of NPAs is recoverable because the NPAs are caused by targeted lending, which at times happens owing to government pressure. The NPAs are not caused by small borrowers, he said.

He cited an article written by Saumya Kanti Ghosh, chief economic adviser to State Bank of India, in *The Economic Times,* to prove his point that the government itself is bleeding the PSBs dry.

Ghosh has given figures to prove that it is a myth to say that PSBs are a monolith which the government has to repeatedly bail out infusing capital using taxpayer money. He called this evaluation a "comedy of (data) errors".

According to Ghosh, the cumulative capital infusion into PSBs for the fiscal decade ended 2014 was Rs.60,000 crore but the dividend payout was roughly Rs.64,000 crore, while the cumulative income tax paid was around Rs,1.30 lakh crore. Thus, he concluded, the dividend and tax paid to the government together amounted to more than 300 per cent of the capital infusion. Reiterating the point that the government itself is to blame for the rising level of NPAs in PSBs, Franco said an analysis of the outstanding NPAs revealed that the government had made no serious efforts to reduce NPAs, and had in fact encouraged it to favour its preferred corporates. According to him, as on March 31, 2015, the NPAs amounted to Rs.3 lakh crore. Over 40 per cent of this (Rs.1.21 lakh crore) is due from 30 corporates, while over 30 per cent is due from some 6,000 individuals and institutions.

"Why does the government not name these corporates or these 6,000-odd individuals and institutions? Why has it never made an attempt to do recoveries?" he asked. Moreover, he added, government schemes put extra pressure on PSBs, citing the Jan Dhan Yojana, which he said put immense burden on PSBs as they had to meet more than 90 per cent of the target. Private banks had only a minuscule role in this, he said.

Even now, 50 per cent of all accounts are lying dormant with nil balance and the problem has further been compounded as the banks have also been pressured into giving the promised Rs.5,000 overdraft facility to account holders.

"On one hand we are forced to shoulder the government's social responsibilities, and on the other we are dubbed non-profitable. How can this are allowed?" he asked.

The banking industry's fear that it is gradually being pushed towards privatisation was further fuelled by the recent announcement of a scheme called Career Progression Scheme (CPS) for clerical staff in the five associate banks of SBI. The scheme, which is already operational in SBI, is aimed at giving clerical staff more responsibility in lieu of better remuneration. Though it may sound innocuous to a layman, banking staff said there was a heinous design behind this and they went on a day's strike in protest on January 8. The All India Bank Employees Association (AIBEA), which gave the call for the strike, called it a success and announced further agitation programmes to "foil the managements' designs".

"Our salaries and wages are finalised through bipartite wage settlements, which [last] happened in May last year. Now they (the bank management) have inserted this thing about a little more payment in lieu of a little more work. This is encroaching on the union's role. The bank management is trying to impose its authority on issues which are supposed to be settled through bipartite talks between the unions and managements. We will not allow this," said C.H. Venkatachalam, General Secretary of the AIBEA. According to him, the strike was also to oppose outsourcing of certain categories of work, such as sweeper work.

The strike call was supported by the officers' associations too. M.V. Murali, convener of the United Forum of Bank Unions, said the issue was more of encroaching on the role of the unions.

"They have tried to change service conditions without consulting the unions and this is objectionable. If they are allowed to get away with this, they will extend it further," he said. What is more objectionable is that the managements have resorted to arm-twisting the clerical staff into accepting this scheme in lieu of other benefits such as greater housing loan facilities.

However, bank managements do not think the CPS issue should be made a bone of contention between the personnel and the managements.

"The career progression scheme is for the empowerment of the staff members only. Moreover, it is completely voluntary. We are not going forward with anything without discussing it with all the stakeholders. There is nothing which cannot be resolved through discussion," said S.A. Ramesh Rangan, Managing Director of State Bank of Patiala which is an associate bank of SBI and one of the banks where the CPS is sought to be implemented.

According to him, nothing in the scheme is against the interest of the personnel. Trying to explain the opposition to the changes being made, he said there was some innate fear among employees about changes but "they need to understand that times have changed and our attitude to work has to change in accordance with changing times".

At a time when the "survival" of banks has become a major concern, employees need to understand "that we sink or swim together", he said.

According to Ramesh Rangan, the banking industry on the whole is under pressure owing to stressed assets management and employees need to think how best "each one of us" can contribute in keeping the organisation afloat. "After all, the organisation gives us our identity and we should all put in our best to help our organisation," he said. But the recipe of employees giving their "best" to the organisation apparently does not go down well with the staff, who feel they are "horribly overworked and terribly underpaid".

Besides, once they start feeling the heat of privatisation, they find an uncertain future awaiting them. The unions and associations are not going to give in easily. "We have formed an all-India platform called National Platform of Public Sector Officers' Organisation, with the participation of officers from the power sector, telecom, life insurance, etc. Railways personnel too will join soon. We plan an all-India agitation and also create awareness through street plays, short films, etc. Our campaign will be called Save Public Sector," Franco said.

It is obvious that the government is not going to have it easy, despite its huge majority in the Lok Sabha.

Courtesy – Frontline, February, 2016

'PRIVATISATION NOT THE SOLUTION FOR BANKS' PROBLEMS'

"AS far as public sector banks are concerned, the government's attitude is like calling the dog mad and then shooting it. If there are problems of unprofitability and NPAs in PSBs, it is of the government's own making. How can they make that an excuse to privatise us?" asks Thomas Franco, senior vice-president of the All India Bank Officers' Confederation. Franco, who is also the general secretary of the SBI Officers' Association, spoke to *Frontline* on the problems facing public sector banks and how the government is slowly pushing them towards privatisation. Excerpts:

Why, in your view, is the government pushing public sector banks towards privatisation?

As far as the government is concerned, whether it was the UPA earlier or the NDA, its agenda has been the same: privatise public sector banks. The UPA had set up a committee under P.J. Nayak to suggest reforms in public sector banks in January 2014. The main thrust of its recommendations was privatisation of PSBs. The report was put in cold storage because of the general elections, only to be resurrected by the Modi government. The Modi government not only endorsed the Nayak Committee report fully, but announced measures to implement the recommendations. In his Budget speech last year, Finance Minister, Arun Jaitley announced that the Banking Boards Bureau would start functioning from April 2016 and this bureau would eventually be converted into the Banking Investment Company as per the Nayak Committee recommendations. Eventually, the government's shares in PSBs would be brought down to 40 per cent and transferred to this company, which will have the sole power to regulate or control banks.

Once this happens, the other recommendations, such as reducing priority sector lending or making it profitable, cutting down on unprofitable banking activities such as investing in infrastructure projects or lending to small and medium entrepreneurs, will automatically follow. This would totally defeat the idea of inclusive banking as it is practiced now and was the guiding principle at the time of nationalisation of banks. Besides, if we look at the government's record, in 2000 to the then NDA government tried to reduce the government's share in PSBs but dropped the idea because of our opposition and the Left parties' support to our cause. This time, since they have the numbers in the Lok Sabha, we are afraid they might push through their agenda.

Why is there so much opposition to privatisation of banks? After all, the second largest bank in the country, ICICI, is in the private sector.

We must not forget the past history of private sector banks. Before 1969, all banks, except the SBI, were in the private sector. Between 1947 and 1969, 559 banks failed. A huge number of people lost their life's earnings. The common man had no access to banks then, and the banks' rural presence was nil. Bank nationalisation took place to make the shift from class banking to mass banking, and make inroads into rural areas. The lopsided banking was visible in the fact that in 1969 over 40 per cent of our GDP was coming from agriculture, but total loans to the agriculture sector was only 0.2 per cent. Capital was under the control of a minuscule percentage of the population.

Even after nationalisation, private sector banks continued to fail. One of the most prominent examples was the high-profile Global Trust Bank, whose Chairman, Ramesh Jolly, was awarded the Banker of the Year award, and the very next year his bank posted a loss of Rs.1,100 crore. GTB was eventually merged with Oriental Bank of Commerce in 2003. Between 1969 and 2014, 23 private sector banks were merged with public sector banks for not working well. In this backdrop, we have to see the performance of PSBs, which have not only survived the major global economic crisis but also shared the government's social agenda like the farm loan waiver, the Jan Dhan Yojana, priority sector lending and lending to small and medium enterprises. These are all activities which bring our profitability under pressure, and the private sector banks have almost nil presence here. They don't share the government's social responsibilities. Even in matters of recruitment, they don't follow the government's reservation policy or don't show any enthusiasm in giving education loans to needy students. Thus, we can see that privatisation is not the solution for problems facing PSBs. The solution lies in making the public sector more robust, not pawning it in the hands of a few powerful individuals.

How do you plan to oppose the government if it is determined to privatise PSBs?

We have joined hands with other PSU organisations and floated the National Platform of Public Sector Officers' Organisation. This has representation from banks, power engineers, telecom and insurance. The Railways too will join soon. We are planning a nationwide campaign to create public awareness. We will do it through street plays, short films and documentaries and so on. We also plan to organise alternative Gyan Sangams to educate people on the tremendous contribution of PSUs to nation building. The All India Bank Officers' Confederation President, Y. Sudarshan, will inaugurate the national campaign on January 26 in Chennai. Our campaign will be called "Save PSUs". The campaign will run in Chennai for 45 days, and then we will travel to other parts of the country.

We need to tell the people why it is necessary to save the public sector; why concentration of wealth in the hands of a few powerful individuals is not good for the common people; why we should learn from the experiences in Japan, Korea and the U.S.; why we need to heed the earlier warnings by the RBI, which said in 2010 that private sector ignored SMEs [small and medium enterprises], agriculture, education and export.

Courtesy – Frontline, February, 2016

Legal Decision:

GRATUITY AS CTC? – LEGAL IMPLECATIONS

'To get hoisted in one's own petard' is not only embarrassing but also quite detrimental to the image and financial health of any establishment. Many upstart companies, with a view to attracting talented employees, adopt not so healthy practices, which ultimately recoil on them. 'A stitch in time saves nine', is an age old tried and tasted fact. Therefore, at the time of offering employment, the employers must adhere to the provisions of the Payment of Gratuity Act in letter in spirit in order to avoid the litigation at the time of the termination of service of the employee which may come by superannuation, retirement/resignation or death or disablement due to accident or disease.

Clarity and straight forwardness is the best policy while offering employment but, more often than not, it is found that some establishments adopt such methods as are bound to lead to many legal problems. In fact it has become a common practice for the management to state that in addition to basic salary and other allowances they pay gratuity @ 15 days of every year. They do not mention about the qualifying period of payment of gratuity. Such a practice is undesirable because an employee even he has not completed the prescribed period of five years' service can claim that he is entitled to gratuity after having worked for 240 days, which is treated to be one year of service.

In the above context it is apposite to refer to section 4(5) of the Payment of Gratuity Act, 1972 which provides:

'Nothing in this section shall affect the right of an employee to receive better terms of gratuity under any Award or agreement or contact with the employer'

By applying the principles of legal interpretations, such an employee can justifiable succeed in his claim for gratuity.

In Lalitkumar D. Thakkar v. Controlling Authority & Asst. Labour Commissioner, Surat, the Gujarat High Court has held that it is a well settled position in law that while interpreting the statute like Payment of Gratuity Act, 1972, being welfare legislation, the interpretation should be so made as to advance the object of the legislation and not to truncate the same. Needless to reiterate that the term 'gratuity', it is too well-settled is not a charity, but it is the amount payable for the service rendered by the employee. The object of Payment of Gratuity Act is to ensure that a workman is rewarded for the honest, efficient and faithful service that he renders for the employer's benefit.

In ***Express News Papers Ltd. v. Workman*** the Supreme Court has held that the term 'gratuity ' imports an ideas of gift or a present generally in return for favour of service. The Supreme Court has observed that gratuity is a reward for good, efficient and faithful service rendered by an employee. In a claim for gratuity by an employee claiming before expire of 5 years of service, the defense of an employer that the gratuity was to be paid as per Payment of Gratuity Act, 1972 could not be sustainable in view of section 4 (5) (supra) of Payment of Gratuity Act. In this context, reference is made to the judgment of **Utter Pradesh Power Transmission Corporation Ltd. v. Jagdish Narain Rawat,** wherein it has been held that nothing stops an employee from receiving better benefits than that under the Payment of Gratuity Act, 1972 in view of sub-section(5) of section 4 of the Act that the right of the employees to receive better terms of gratuity under any award or agreement would not be affected by section 4 of the Act which says that gratuity would be payable after continuous service for not less than five years. Also, there is one more reason due to which the right given under section 4(5) of the Payment of Gratuity Act cannot be taken away by section 14. Section 4(5) of the Act provides that nothing in the section shall affect the right of an employee to receive better terms of gratuity under any Award or agreement or contract with the employer. Thus better terms of gratuity under the Award or agreement or contract have been saved and the employee has been given right to opt for that. Section 14 gives an overriding effect over other enactment, which says:

(1) Anything inconsistent therewith contained in any enactment other than this Act, or

(2) In any instrument or contract having effect by virtue of any enactment or contract having affect by virtue of any enactment other than this Act. What is overridden is 'any other enactment or any other contract'. Thus contract which is saved under section 4(5) is clearly not affected by section 14.

In ***Kerala Forest*** **Research** ***Institute v. Renuka*** the Kerala High Court has held that from judgment of ***Y.K. Singla v. Punjab National Bank and others,*** it is clear that the Apex Court has treated that the terms and conditions of employment is part of the terms and conditions framed by the employer within the meaning of section 4(5) of the Payment of Gratuity Act. This the word 'contract' used in section 4(5) is wide enough to include service conditions regularly for the sake of gratuity, which an employee is entitled to receive.

Be it also clarified that gratuity of an employee, even when he serves for more than prescribed period for entitlement, is not an absolute right since it can be forfeited if the services of an employee are terminated for certain misconducts as stipulated by section 4(6) of the Payment of Gratuity Act, 1972.

It is also pertinent to state that the ESI Authorities have also started demanding contributions on the gratuity when not stated 'in accordance with Payment of Gratuity Act '. The definition of wages under Employees' State Insurance Act is very exhaustive and there is hardly any payment (as part of wages) which is not taken into consideration for ESI contributions. The definition of 'wages' as given in section 2(22) reads as under:

2(22) "Wages" means all remuneration paid or payable, in cash to an employee, if the terms of the contract of employment, express or implied, were fulfilled and includes any payment to an employee in respect of any period of authorised leave, lockout, strike which is not illegal or lay-off and other additional remuneration, if any, paid at intervals not exceeding two months, but does not include—

(a) Any contribution paid by the employer to any pension fund or provident fund, or under this Act;
(b) Any travelling allowance or the value of any travelling concession;
(c) Any sum paid to the person employed to defray special expenses entailed on him by the nature of his employment; or
(d) Any gratuity payable on the discharge.

It will, thus, be seen that it starts with 'all remuneration ' paid or payable in cash to an employee. Also, the exclusion of any gratuity is on discharge as stated in clause(d) in the above definition would further supports the claim of an employee when made after rendering service less than five year.

In view of the above, the reference to gratuity made in good faith and to attract the talent can backfire and may lead to avoidable litigation hence/its enumeration in 'cost to the company' (CTC) should be avoided.

Courtesy: Labour Research, March-April 2016

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 30:2016 9th April 2016

NEWS ROUND UP

79th Executive Committee Meeting of AIBOC was held at Bhopal on 6th April, 2016. In the meeting our Federation was represented by Com. S. K. Bhattacharjee, GS, AIRRBOF & Advisor, AIBOC, Com. R.G. Makhija, President, AIRRBOF Y Dy. General Secretary, AIBOC, Com. K.M. Shukla, Sr. Vice- President, AIRRBOF & EC Member AIBOC and

Com. M.V. Karer, Vice- President, AIRRBOF & EC Member, AIBOC. Lot of issues have discussed including participation in the Strike on 2nd Sept. 2016 called by Central Trade Unions, the move to privatise the IDBI and the ongoing agitation programme, the fight by Comrades of RRBs under the banner of UFRRBU etc. AIBOC shall issue an appropriate circular in this regard which shall reproduce in due course.

(ii) General Secretary visited Indore on 7th April, 2016 and held discussion with Chairman, Narmada Jhabua Gramin Bank at the Bank's Head Office. Com. B.L. Khandelwal, Vice-President, AIRRBOF accompanied Com. General Secretary, AIRRBOF. The discussion was of natural nature on the aspect of development of the Bank. The Chairman was to be very positive.

(iii) General Secretary visited New Delhi on 8th April, 2016. Apart from holding discussion with Ms. Anna Roy, Joint Secretary, DFS he also visited the office Central Vigilance Commissioner on follow up several issues taken by Federation with them. The visit was quite fruitful.

Circular # 31:2016 11th April 2016

GENERAL SECRETARY, AIRRBOF HELD DISCUSSION WITH JOINT SECRETARY ON SEVERAL HR ISSUES CONCERNING OFFICERS OF RRBS

In accordance with the prior arrangement Consultative Meeting was held with Ms. Anna Roy, Joint Secretary (Ps), GOI, DFS, New Delhi on 8th April, 2016 at 11:30 am by General Secretary, AIRRBOF.

The following issues came up for discussion:

(i) Changes in RRB Officers & Employees Service Regulation and end disparity in payment of gratuity to the officers.

(ii) Changes proposed in the RRB Appointment & Promotion Rules need to be notified and published in Gazette of India (Extraordinary).

(iii) Revision in Housing & Conveyance Loan Scheme for Officers & Employees Working in RRBs.

(iv) Revision in other Allowances & Benefits in RRBs at par with Sponsor Bank.

(v) Reintroduction of Compassionate Appointment Scheme in RRBs.

(vi) Taking of Associate Membership of IBA by RRBs & Reconstitution of JCC at IBA Level.

(vii) Handling over Regularity Aspect of RRBs back to Reserve Bank of India.

She was found to be very positive on the issues. We were also requested to mail her a detailed letter in this regard which we sent already. Such letter is also reproduced for your information & records. Let us look forward to positive action by DFS.

Circular # 32:2016 20th April 2016

NEWS ROUND UP

A impromptu meeting was held with Shri Jayant Sinha, Minister of State (Banking), Govt. of India at North Block in the evening of 19th April, 2016. Com. S.K. Bhattacharjee, General Secretary, AIRRBOF along with Com. K. Rajeev, General Secretary, AIGBEC attended the Meeting. Minister was flanked by Ms. Anna Roy, Joint Secretary (Ps). The Minister was kind enough to listen to our view point on all issues including Pension. He advised Joint Secretary to call one representative each of all the Apex Level Trade Unions in RRBs and try to develop consensus to resolve all issues including Pension. A stage had been set and let us strive to go forward to resolve all pending issues.

2. The Writ Petition (Civil) No. 39288 of 2012, popularly called as Pension Case, is getting listed every Tuesday before Supreme Court but the listing no being low not coming up for hearing. We have discussed the matter with our Advocate and trying to mention the matter before Chief Justice of India for early hearing. The Supreme Court shall be on summer vacation after 13th May and if required we shall request CJI to fix the matter before vacation judge for final order in view of the negative attitude of the Hon'ble Bench where it is being listed now.

3. UFRRBU held its Meeting in New Delhi on 19th April 2016. We insisted that RRB Level Unity should be maintained before any further agitation programme. It is generally decided that we may go for 3-4 days strike after full preparation, campaign and other programmes. There shall be candle light march of Pensioners in May to highlight the issue. However, the nefarious activities of certain composite union was highlighted by our General Secretary and called for stoppage of circulation of untruth and gossip.

PRESS CORNER:

AUSTRALIAN CLAIMS HE IS BITCOIN CREATOR

Australian tech entrepreneur Craig Wright told the BBC that he was the creator of controversial digital currency bitcoin, but some scepticism remained about the identity of a person who until now has gone by the name of Satoshi Nakamoto. The BBC reported on Monday that Wright gave some technical proof demonstrating that he had access to blocks of bit coins known to have been created by bit coin's creator. Unmasking Nakamoto could be significant for the future of bitcoin, a computer-generated, digital alternative to other currencies that has attracted the interest of banks, speculators, criminals and regulators.

Researchers believe Nakamoto may be holding up to 1 million bit coins, which is worth about $440 million, and the price of the crypto currency could plunge if that was to be unloaded.

Wright declined requests from The Economist to provide further proof that he was Nakamoto.

"Our conclusion is that Mr. Wright could well be Mr. Nakamoto, but that important questions remain," The Economist said. "Indeed, it may never be possible to establish beyond reasonable doubt who really created bitcoin."

The BBC said prominent members of the bitcoin community had confirmed Wright's claim. Hopes that bitcoin would become broadly used helped buoy its price to more than $1,000 in December 2013, when its market capitalisation was $13 billion.

But the market cap has retreated since then, to about $7 billion currently.

Source – The Hindu Business Line 3rd May 2016.

CONSOLIDATION AMONG PSBS MUST BE BASED ON 'SYNERGY OF OPERATIONS'

A nudge from the largest shareholder — the government — may be one way forward to ensure consolidation among public sector banks when they themselves are not coming forward voluntarily, according to R Gandhi, Deputy Governor, Reserve Bank of India.

Referring to the Finance Minister's Budget speech of 2016-17, wherein he mentioned that a (consolidation) roadmap will be announced soon, Gandhi felt that an approach in this direction may be constitution of an expert committee which may thoroughly examine the business of each public sector bank (PSB), their forward looking business plans and try to find out opportunities of consolidation based on sound business strategy and synergy in the operations of the banks concerned.

"The areas of synergies are to be properly identified encompassing, *inter alia*, compatibility of businesses, culture, treasury and IT and locational advantage. The committee may interact with the boards of banks on the tentative plans it might be having with respect to individual banks and try to understand their reactions.

"Further, interests of all stakeholders like depositors, borrowers, supervisor, employees, etc., also need to be balanced. Perhaps, the recently constituted Banks Board Bureau can perform such an advisory role," said Gandhi at a recent banking conference in Bengaluru.

He emphasised that PSBs are listed and their shares are held by diversified private institutions and individuals and interests of these minority shareholders need to be protected.

"Any plan for merger or acquisition has to be a Board-led process in which all stakeholders have to be involved from beginning... the aspects related to competition and consumer protection need to be evaluated diligently in the context of consolidation," the Deputy Governor said.

He observed that the need for consolidation is specially felt now, due to the fact that although India is the seventh-largest economy in the world in terms of nominal GDP, there is no Indian bank in the list of 70 large banks in terms of asset size.

"We can easily see that large banks reap certain advantages in terms of efficiency, risk diversification and capacity to finance large projects. The efficiency gains resulting from lower cost of services and higher quality of services are too attractive to ignore.

"It is also felt that a larger bank may be less risky than a smaller one as the larger bank will have a more diversified portfolio resulting in less volatility in its earnings. Consequently, a large bank may command higher credit rating than a smaller bank," said Gandhi.

There are 48 domestic banks (excluding Regional Rural Banks and Local Area Banks), of which 27 PSBs have a market share of around 70 per cent in terms of asset size. A comparison of the performance of larger and smaller PSBs does indicate that larger ones perform better.

Source – The Hindu Business Line 27th April 2016.

‘DON’T KEEP EDUCATION-LOAN DEFAULTERS OUT OF BANK JOBS’

Bank Employees’ Federation of India has urged Finance Minister, Arun Jaitley not to keep those who have defaulted on repaying student loans out of bank jobs.

In a letter to the minister, BEFI pointed out that in a recent recruitment advertisement by State Bank of India, one of the conditions for applying was that ‘candidates with record of default in repayment of loans/credit card dues and/or against whose name adverse reports of CIBIL or other external agencies are available are not eligible.’

BEFI noted that there could be a number of aspiring applicants to bank jobs who would have taken education loans and failed to repay. “Such borrowers should not be equated and considered at par with willful defaulters in the strict commercial sense of the term,” BEFI pointed out in the letter. “It is very natural that this group of borrowers can start repaying their debts only when gainfully employed. Closing the doors of employment to them would not only put them to hardship but would also adversely affect the prospects of recovering the debts by the concerned lending institutions.”

BEFI wanted the Finance Minister to advise bank authorities “to add an appropriate rider” in the application norms to ensure that the education-loan defaulters are not kept out of the jobs of SBI or any other public sector bank.

Source – The Hindu Business Line 26th April 2016.

5-IN-1: SBI ASSOCIATES MAY BE UNIFIED INTO A SINGLE BANK

Consolidation of banks is in the air yet again, with the boards of the five associate banks of State Bank of India (SBI) set to meet in Mumbai on 17th May, 2016.

Although no specific proposal relating to merger or consolidation is listed on the agenda, the buzz is that the respective boards will discuss this issue along with other hot topics such as the non-performing loans situation and the Reserve Bank of India-mandated asset quality review.

The five associate banks are State Bank of Hyderabad, State Bank of Travancore, State Bank of Mysore, State Bank of Bikaner and Jaipur and State Bank of Patiala.

Rather than looking to merge them with SBI, the five associate banks may discuss their unification into a single entity to consolidate their business potential and ensure independent growth and progress, it is learnt. Should that happen, the combined entity will have total deposits of Rs. 5,00,845 crore and total loans of Rs. 3,97,796 crore.

The board agenda on 27th May 2016 meeting includes "any other issues with the permission of the Chair", giving some credence to expectations of a discussion around consolidation.

Finance Minister Arun Jaitley is in favour of the five SBI associate banks banded into one bank so that together they become stronger and viable, sources said.

On their part, the 70,000 employees and officers working in these five banks have also demanded unification.

"When we (All India Bank Employees' Association) had, as a delegation, called on Finance Minister Jaitley on March 23 and April 26, he (Jaitley) had opined and suggested that these five associate banks could well be made into one single bank. We had also expressed our inclination for the same," CH Venkatachalam, General Secretary, AIBEA.

AIBEA has written another letter (on May 14) to the Finance Minister seeking a "positive and early" decision in this regard. In his Budget speech this year, Jaitley had said that a roadmap for consolidation of public sector banks (PSBs) would be spelt out. At the March 2016 Gyan Sangam Summit, he had indicated that the government was actively looking to form a bank consolidation committee.

Banking industry observers and experts maintained that there is a case for merging some of the public sector banks, which are very small when compared to their global peers.

SBI, India's largest commercial bank, is still not among the top 50 banks in the world. It is ranked only 67th among the global banks. For an economy such as India's — the fastest growing large economy in the world — the domestic banking industry is fragmented.

The thinking in certain quarters is that India needs stronger banks, not lots of banks.

During the United Progressive Alliance (UPA) regime, two associate banks — State Bank of Indore (2010) and State Bank of Saurashtra (2008) — were merged with the SBI.

Source – The Hindu Business Line 17th May 2016.

BANK UNIONS CALL FOR STRIKE ON JULY 29

The United Forum of Bank Unions (UFBU) has called for an all-India Bank strike on July 29 in protest against banking reforms. The decision was taken at the meeting which took place in Hyderabad on Thursday. Over 10 lakh bank employees and officers are expected to participate in this strike.

"UFBU has decided to express its protest by calling for a strike as the government is intent on pushing banking reforms, including measures like weakening public sector banks, inadequate capital to public sector banks, consolidation and merger of banks, sanction of more licenses to private corporate companies, privatisation of IDBI Bank, allowing more private capital in Regional Rural Banks, etc," All India Bank Employees Association (AIBEA) General Secretary C H Venkatachalam said.

Demanding criminal action against willful defaulters of bank loans, he said the total bad loan is over Rs. 10 lakh crore and a bulk of this is due from large corporate houses. Neither the government nor the RBI is taking any serious action to recover the huge outstanding. There are more than 7,000 deliberate defaulters who owe banks not less than Rs. 60,000 crore, Venkatachalam said, demanding criminal action against such individuals.

Source – The Hindu Business Line 13th May 2016.

FIVE-YEAR PLANS OUT, 15-YEAR VISION DOCUMENTS FROM NEXT FISCAL

The government has decided to replace the Nehruvian Five-year Plans being followed for over six decades with a 15-year vision document to be prepared by the NITI Aayog that will cover internal security and defence.

Earlier, Five-year Plans did not cover subjects like internal security and defence as the policy documents focussed on sectors such as infrastructure, commerce, education and health.

"The Prime Minister's Office has entrusted NITI Aayog (with the job) to come up with a 15-year vision document for a period up to 2030 which will be co-terminus with the Sustainable Development Goals. This will be a 15-year perspective plan," a source said.

The NITI Aayog will also prepare a seven-year strategy from 2017-18 to 2023-24 to convert a long-vision document into implementable policy and action as part of the national developmental agenda.

There will also be a mid-term review of the seven-year strategy in the year ending March 2020. "A three-year action Plan for 2017-18 to 2019-20 as part of the National Development Agenda will be aligned with the 14th Finance Commission award period," the source said.

The source further said the draft appraisal document of the 12th Plan (2012-17) is currently being finalised and the exercise for the vision document and seven-year strategy paper will be initiated shortly.

Several committees have questioned the merit in having Plan and Non-Plan classification of government expenditure and the general view is that it has skewed allocations in the Budget and the classification should be done on the basis of revenue and capital expenditure.

Finance Minister Arun Jaitley had announced in his Budget speech this year that Plan and non-Plan classification will be done away with from 2017-18.

In order to draw up strategies, the sector-specific working groups and steering committees will be formed by involving Union ministries/departments and associating state governments, experts, academia, professionals and the like.

A former Planning Commission member Abhijit Sen said, "The Five-year Plans were backed by 15-20 years of vision. Now, they will talk in generality on all issues without taking a medium term plan."

Asked whether this kind of long-term planning will make any difference, Sen replied in the negative.

He said the institution is expected to form a view on the basis of its internal thinking and the government's vision and develop strategy with objectives and incentives and see whether different ministries work in tandem.

He felt that after the formation of NITI Aayog, ministries are afraid of the Finance Ministry (because it allocates funds) and are taking the NITI Aayog for granted.

Source – The Hindu Business Line 14th May 2016.

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