



Banking News

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NEWS BULLETIN from ALL INDIA BANK EMPLOYEES' ASSOCIATION

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**BANKING REFORMS IS NOT THE PRIORITY
PRIVATISATION IS NOT THE PRIORITY
MERGER IS NOT THE PRIORITY**

RECOVERY OF BAD LOANS IS THE ONLY PRIORITY

ALL INDIA BANK STRIKE

29TH JULY, 2016

BY 10 LACS EMPLOYEES & OFFICERS



AIBEA – AIBOA



CAG audit nails Centre's claim on LPG subsidy saving

JOSY JOSEPH/ TCA SHARAD RAGHAVAN, THE HINDU

The Modi government has been carrying out a high decibel campaign 'GiveItUp', calling upon consumers to give up their LPG subsidies.

The audit has also found substantial systemic problems with the Direct Benefit Transfer in LPG scheme, called Pahal by the government.

The Centre claims it would end up saving almost Rs. 22,000 crore in the financial years of 2014-15 and 2015-16 since launching its two-pronged approach on cooking gas subsidy — introducing direct bank transfers of the subsidy and asking better off consumers to voluntarily give up theirs.

However, a CAG report to be tabled in Parliament during the ongoing session could seriously puncture the claim, according to reliable sources. The audit has found that the saving from people voluntarily giving up LPG subsidy and direct bank transfers adds up to less than Rs. 2,000 crore. The remaining saving is actually thanks to the dramatic fall in the prices of LPG that India annually imports.

The audit has also found substantial systemic problems with the Direct Benefit Transfer in LPG scheme which is called Pahal by the government. Among them are diversion of domestic subsidy for commercial use and commercial consumption LPG being diverted to domestic use.

The Modi government has been carrying out a high decibel campaign 'GiveItUp', calling upon consumers to give up their LPG subsidies. Coupled with the direct bank transfers, the saving has been almost Rs. 22,000 crore, the government claims.

Under the DBTL scheme, rolled out in November 2014, cooking gas subsidy is transferred directly to the bank accounts of beneficiaries to cut down on wastages. "If DBTL was not there, the government would have had to spend

around Rs 15,000 crore more in 2014-15," Petroleum Minister Dharmendra Pradhan said at a recent seminar on energy subsidies.

From the ramparts of Red Fort in 2015, Prime Minister Narendra Modi claimed that India has saved Rs 15,000 crore annually in subsidy outgo for cooking gas thanks to DBTL and GiveItUp campaign. "We got the LPG gas subsidy under direct cash benefit transfer. We used the Jan Dhan Yojana and Aadhar cards. Because of this, middlemen and black marketers have been hit. We corrected the system and Rs 15,000 crore, which was stolen every year in the name of gas subsidy, has been saved," Modi said, addressing the nation from the Red Fort.

The Audit and Global Prices

The reality, however, may be far from what the government has been touting, according to the CAG report to be tabled in Parliament during the ongoing monsoon session.

According to dependable sources, the huge drop in subsidy budget is mostly due to the dramatic drop in the global price of LPG that India imports.

According to the Petroleum Planning and Analysis Cell (PPAC) of the government, India saw the value of its LPG imports drop from Rs 36,571 crore in 2014-15 to a projected Rs 25,626 crore in 2015-16. That is a saving of Rs 10,945 crore in just a year.

PPAC data also shows that the LPG imported has actually gone up in that period—from 8,313 thousand metric tonnes (TMT) in 2014-15 to 8,885 TMT in 2015-16.

"FOB (Free on Board) of LPG is weighted average of Saudi Aramco contract price (CP) for Butane (60 per cent) and Propane (40 per cent) for the previous month and also includes daily quotes of premium/discount averaged for the previous month," the PPAC said.

The price of Butane fell from \$825 per metric tonne (MT) in May 2014 to \$310 per MT in July 2016. The price of Propane fell similarly, from \$810 per MT in May 2014 to \$295 per MT in July 2016.

SBI associate bank employees won't be affected by merger: Arun Jaitley

Arun Jaitley says SBI has said that the interest of the employees of the associate banks will not be affected



PTI New Delhi:

The proposal for acquisition has been originated by respective boards, Arun Jaitley said. Photo: Mint

Interest of the employees of five associate banks will be protected following their merger with the parent entity State Bank of India, finance minister Arun Jaitley said on Friday. The central government has sanctioned the proposal of SBI to enter into negotiations with its subsidiary banks as well as Bhartiya Mahila Bank for acquiring them including their liabilities, he said in a written reply to the Lok Sabha.

The proposal for acquisition has been originated by respective boards, he added. "SBI has informed that the interest of the employees of the subsidiary banks will not be affected. The pay and allowances offered to employees or officers of the merging banks will not be less than the overall pay and allowances as they would have drawn in the merging banks," he said.

SBI has five associate banks—State Bank of Bikaner and Jaipur, State Bank of Travancore, State Bank of Patiala, State Bank of Mysore and State Bank of Hyderabad.

In another reply, Jaitley said, gross non-performing assets (GNPAs) to the total advances of the public sector unit banks as on March, 2016 were Rs.4.76 crore (9.32%). The macro stress tests in the Financial Stability Report of RBI, June 2016 suggest that under the baseline scenario, the

GNPAs for the public sector banks (PSBs) may rise to 10.10% by March 2017, he said.

However, this level may not be reached in view of the recovery efforts by banks and steps taken by government and the Reserve Bank of India, Jaitley said. As per the data received from PSBs, he said, frauds constituted 7.15% of total GNPs as on March 2016.

In a separate reply, minister of state for finance Santosh Kumar Gangwar said out of 27 public sector banks, 14 have posted losses. The main reason for such losses was Asset Quality Review (AQR) exercise initiative by RBI during 2015-16 due to which banks had to suddenly make provision for accounts categorised as NPA.

During 2015-16 public sector banks made recoveries of Rs.39,534 crore as compared to Rs.41,236 crore in the previous fiscal. Replying to another question, Gangwar said the ministry is considering a proposal of LIC for approval of five-day working week for its employees.

Even before merger

- **SBI is unilaterally imposing adverse service conditions on Associate Bank employees,**
- **SBI is forcing Associate Banks to violate Bipartite Settlement,**
- **SBI is denying trade union rights and right to collection bargaining**
- **SBI is denying the compassionate ground scheme of the Govt. only for the Associate Banks**
- **SBI is denying Housing Loan enhancement only for Associate Bank employees**

- After merger ?

..... **AIBEA ...**

Smoothing SBI's merger process

M SITARAMA MURTY



Getting a big makeover But at what cost? REUTERS

The apprehensions of customers and staff of the associate banks must be addressed to realise synergies of the merger

July 22, 2016:

The merger of associate banks with the State Bank of India should be relatively simple and smooth given that the policies, systems and procedures, technology platforms of the banks are the same and to a large extent the work culture is the same too. .

Already several steps, such as synchronising interest rates and products on offer are initiated for a smooth transition. That said, as the D-day for the merger approaches, two important stake holders — customers and staff unions — have expressed some genuine fears and concerns.

And these concerns are to be addressed for fully deriving the benefits of the merger and achieve the objectives of creating a strong and large world-class bank.

In the absence of any assurances or pronouncements, many customers of the associate banks are wondering what is in store for them. The unions have their members' interests as the primary concern.

The customers who are worried about the uncertainties might migrate to other banks, preferably the ones in the private sector. Given the shrinking avenues for growth, these banks might be happy to welcome depositors and good borrowers with open arms.

The good and the bad

There are some points in favour of the strong and healthy State Bank Group; these include safety and security, and huge resources to meet the credit needs of large borrowers, backed by a worldwide network.

Granted, depositors get marginally better interest rates, their safety being ensured by an unwritten assurance that the RBI and the Government would not allow a bank failure. But this aspect can't be overplayed because customers' concerns about accessibility of staff and personalised service is a fact too. The advantages of having head offices nearby and enjoying easy access to top executives may not be there after the merger.

Mid-sized companies and SMEs feel more comfortable in dealing with regional banks, which are more amenable and accommodative.

Customer relations may not be the same with a monolith, especially after rationalisation of branches and relocation of the surplus staff.

This exercise, therefore, should proceed slowly and over a period of 12-18 months. This aspect should also be emphasised to the operating staff.

At the SBI, the corporate accounts group (CAG) takes care of the special needs of large corporates, facilitating quick decision making. It has a few shortcomings. While it seeks to cut across hierarchy and provide direct access to decision making, the large number of customers and the sheer volume of business render its objectives difficult to achieve.

The fallout

The market dynamics are such that minor modifications and changes are warranted in the day to day operations of corporates. In reality, the CAG branches are not equipped to take decisions or get quick decisions from the corporate office.

Despite being vested with adequate powers, delays occur either because the staff are reluctant to take decisions for fear of accountability or want to stick

to the rule book for lack of understanding of the market environment. For even marginal changes in the terms or credit limits they have to look to the corporate office.

The customers may feel frustrated as they don't get easy access to the top executives at decision making level as the executives have to deal with a large number of customers across the length and breadth of the country. The customers also find it difficult to frequently travel to Mumbai to present their case with no guarantee of an appointment at short notice.

This problem may get exasperated with addition of more accounts from the merged banks, though it is possible several customers might already be dealing with the SBI, either as a member of a consortium or syndication. In the changed scenario it is inevitable to have a relook at the entire gamut of CAG setup.

The delegation of powers has to be reviewed and even decision making to that extent decentralised. To assure the newly joining customers it may be worthwhile to have a sprinkling of senior executives from the associate banks in the post merger credit administration set up. This argument ipso facto holds good in case of MSMEs also.

Relocation woes

One of the major concerns of the staff of associate banks is the rationalisation of branches resulting in redeployment and relocation. The HRD has an important role to play and allay the fears and inculcate a sense of belonging and security.

The problem may be acute in case of metros and urban centers where the branches of the Group are fully staffed. Recruitment will suffer and those few who join have to necessarily be given assignments in smaller places to accommodate the existing seniors, which might lead to some of them opting out of SBI.

The process of redeployment should be done in consultation with the unions and in a calibrated fashion to reduce the pain.

The other serious apprehension of staff is loss of seniority and promotional opportunities in the new set up. This will have a telling impact on the motivation levels and more visible in the executives.

At the time of merger of the State Bank of Indore and the State Bank of Saurashtra the executives of same length of service were placed three years below those from the SBI. This resulted in several senior executives from the associate banks on the threshold elevation losing the chance permanently.

The merger may have marginal impact on the chances of the SBI cadres as the additions to their ranks also bring in additional number of vacancies.

But the number of zonal/regional offices and the actual numbers in the local head offices or corporate office might go up to some extent.

The size does make a difference in the exposure and experience of executives. But an important aspect in favour of the associate banks is that many of their senior executives get an exposure and gain expertise in fields such as manpower planning, recruitment, training and placement, corporate credit, NPAs management, balance sheet management including taxation, finance and accounts, treasury operations, risk management, audit function and regulatory compliances, which is available to only those who work in these departments at the corporate office of the SBI in Mumbai.

Keeping these aspects in mind, the senior executives of associated banks need to be given due weightage and not put way behind those from SBI mechanically.

The time is ripe for suitable signals from the SBI and the Government to both the customers and the personnel of the ABs for ensuing smooth merger process and realizing the synergies envisaged.

The writer is a former managing director of State Bank of Mysore

AIBEA This day – 24 JULY :

1954	All Orissa Bank Employees Federation holds mass rally in Cuttack against anti labour polices of Central Government.
1970	Understandings initialed for B & C Class Banks- Second Bipartite Settlement.
1999	5 th Round of 7 th Bipartite discussions.
2007	Strike in Central Bank of India.- Dilution of Capital.

AIBEA This day – 25 JULY :

1955	Bank Award Commission Report findings released.
1995	Strike by RRB Employees on 6 th Bipartite wage parity.
2006	National Convention of Workers in Delhi. AIBEA participates.

AIBEA This day – 26 JULY :

1948	West Bengal Government issues orders on supplementary award applicable to Central Bank Employees as desired by Bank Management.
1992	Worker Directors' Training Camp organized by AIBEA at Bombay. Dr. Bandopadhaya NIBM Director inaugurates.
2002	One Day strike in Jammu & Kashmir Bank against unfair labour practices, victimization etc.,
2008	11 th Prabhatkar Memorial Lecture by Prof. Amit Bhaduri.



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