



STATE BANK OF HYDERABAD STAFF ASSOCIATION

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ALL THE MEMBERS:

Dear Comrades,

We reproduce hereunder the CIRCULAR NO. 27/38/2013/44, dated: 19th November, 2013 issued by our National Organization – AIBEA for your information.

With Greetings,

Yours Comradely,


(JAGDISH M BHAVTHANKAR)
GENERAL SECRETARY

Dear Comrades,

- ★ **OBSERVE "ALL INDIA DAY" ON 5TH DECEMBER, 2013**
- ★ **DEMAND - STOP THE LOOT – START RECOVERY OF BAD LOANS**
- ★ **KICK OUT BAD LOANS BEFORE THEY KILL THE BANKS**

People's money for people's welfare and not for private corporate loot:

Bad loans are inevitable part of the banking business because in every loan there is an element of risk involved and a possibility of loan not being repaid. But in the last two decades we find that taking huge loan from the Banks and making it as NPA has been perfected as an exquisite art by the big and corporate borrowers. Taking loans from the Banks, deliberately not repaying it and getting away from it through write-offs has become an industry by itself. But as bank employees we know that this is nothing but daylight robbery and open loot of public money because loans are given by the Banks from the savings of the general public. **That is why our slogan is** – People's money for people's welfare and not for private corporate loot.

Bad Loans – a growing menace: Bad loans in the Banks have been alarmingly increasing over the years. Gross NPAs and bad loans in the Public Sector Banks have increased from Rs. 39,000 crores as on 31-3-2008 to Rs. 1,64,000 cores as on 31-3-2013.

31.03.2008	39,030
31.03.2009	44,954
31.03.2010	59,927
31.03.2011	74,664
31-03-2012	117,000
31-3-2013	1,64,461

Bad loans in the entire Scheduled Commercial Banks including the private and foreign Banks, the bad loans are more than Rs. 200,000 crores.

Increase in provisions for bad loans – cannot afford to ignore any longer :
Spurt in the provisions being made from the earned profits of the Banks is another serious challenge faced by the banking industry today.

Public Sector Banks	2008-09	2009-10	2010-11	2011-12	2012-13
Provisions made for NPA	11,121	18,036	29,830	38,177	43,102

Fresh bad loans on the increase – there is a method in the madness

Bad loans in the Banks used to be explained as legacy issues, money stuck up in some old accounts, etc. But, year after, fresh bad loans are being added in the Banks. There is clearly a nexus between borrowers, banks and political administration.

Fresh/new NPAs during 2009-10	44,818 Crores
Fresh/new NPAs during 2010-11	58,226 Crores
Fresh/new NPAs during 2012-13	92,808 Crores
Fresh/new NPAs during 2012-13	1,19,613 Crores
FRESH BAD LOANS IN THE LAST 4 YEARS	3,15,465 Crores

According to RBI, the banks have added Rs. 4,94,836 crores to their bad loans between 2007 to 2013.

Provisions are bulging – Profits are dwindling – Why ?

Banks are already working under lot of stress and strain. And yet the Banks are able to earn profits due to the hard work put in by the entire workforce handling various types of banking services and operations. But the provisions for bad loans are taking a heavy toll on the profits and the net profits are dwindling. It appears that Banks are earning profits only to donate the same to hide the corporate delinquency.

YEAR	GROSS PROFIT BEFORE PROVISIONS FOR BAD LOANS	PROVISIONS MADE FOR BAD LOANS/NPAs	NET PROFIT
2008-09	45,494 CR	11,121 CR	34,373 CR
2009-10	57,293 CR	18,036 CR	39,257 CR
2010-11	74,731 CR	29,830 CR	44,901 CR
2011-12	87,691 CR	38,177 CR	49,514 CR
2012-13	93,684 CR	43,102 CR	50,582 CR
2008 TO 2013	3,58,893 CR	1,40,266 CR	2,18,627 CR

NPAs constituted by top 4 defaulters in PSBs :

Bad loans of the big borrowers are increasing alarmingly and the inaction against them is encouraging them to deliberately default the bank loans. The following figures will reveal the extend of bad loans in top 4 borrowal accounts in PSBs.

Public Sector Banks	2009-10	2010-11	2011-12	2012-13
Gross NPA	59,927	74,664	117,262	1,64,461
In top 4 bad loan accounts	8,418	16,957	17,029	22,666

Gross NPAs of above Rs. 1 core accounts: RS.68,000 crores stuck up:

BANK	MARCH 2010		MARCH 2011		MARCH 2012	
	NO. OF A/CS	AMOUNT	NO. OF A/CS	AMOUNT	NO. OF A/CS	AMOUNT
SBI	1262	8533	1527	11406	2419	23320
PNB	188	826	133	1803	709	5295
IDBI BANK	234	1598	371	2125	579	3682
BK OF INDIA	350	2809	236	2522	507	4268
23 OTHER PSBS	2065	12843	2322	16777	3081	31697
	4099	26629	4589	34633	7295	68262

SOURCE : LOK SABHA

Catch the culprits – match the statement of FM:

Recently our Hon. Finance Minister made the statement: **"We cannot have an affluent promoter and a sick company. Promoters must bring in money. We wish banks take firm steps to recover NPAs."** As of June, 2013, total Gross NPAs in Public Sector Banks has crossed Rs. 180,000 crores. 35% of these bad loans i.e. Rs. 63,678 crores are loans over due from top 30 corporate and big borrowers. Finance Minister wants Banks to take firm steps to recover these bad loans. Then what is stopping the Banks? Why they are not catching to big culprits? It is high time that tough action is taken to recover these bad loans.

BANKS	GROSS NPA Rs. in Crores	Bad loans in top 30 accounts AS OF JUNE 2013	
		Rs. in Crores	As % of Gross NPA
Nationalised Banks	1,11,209	48,406	43.50
SBI Group	71,620	15,266	21.30
Public Sector Banks	1,82,829	63,671	34.83

Corporate Debt Restructuring (CDR) – a conduit to hide bad loans: Already bad loans in the Banks are being suppressed and depressed by showing reduced amounts of bad loans through provisioning, write-offs, concessions, waivers, one time settlements, compromise proposals, etc. Off late, Banks are resorting to heavy restructure of bad loans to artificially show them as performing loans. According to RBI, the total bad loans restructured as good loans has exceeded Rs. 3,25,000 crores of which loans restructured in favour of corporate borrowers is Rs. 2,70,000 crores.

Pig with a lipstick does not become a Princess – RBI Governor: In this scenario of increasing portfolio of restructured loans, it is crystal clear that CDR is only a scheme to hide the bad loans from public eyes. RBI report clearly says that Restructured Loans are nothing but potential and postponed NPAs. A few days ago, RBI Governor has also expressed his concern about the tendency to evergreen and dress up the bad loans to avoid provisions. To quote him, he said: *"You can put lipstick on a pig but it doesn't become a princess. So dressing up a loan and showing it as restructured and not provisioning for it when it stops paying, is an issue. Anything which postpones a problem than recognising it is to be avoided"*

Provision Coverage Ratio falling down – a matter of concern: Even when the bad loans are increasing, provision made against the same is a back-up against any possible contingency. But because the increase in bad loans is so huge that Banks are unable to make adequate provisions with the result the NPA Provision Coverage Ratio in the Banks is coming down in the last few years. This means that the Banks are getting more vulnerable and susceptible to risks against loan losses. As compared to the provision coverage ratio of 68% as on 31-3-2012, this has been drastically reduced to 62% as on 31-3-2013. In 18 out of 25 Public Sector Banks, the provision coverage ratio has drastically fallen. According to RBI, the ratio in the entire banking system has fallen from 55% to 45 % while the global average ratio is 70 to 80%.

Increasing write off – robbing Peter to pay Paul : The amount of write offs towards bad loans is also on the rise in the Banks. According to RBI, the bad loans worth **Rs. 1,41,295 crores** were written off during the period 2007 to 2013. And most of these write offs were in favour of the big defaulters and corporate borrowers.

BAD LOANS – A SYSTEMATIC LOOT: For some time, it was sought to be explained that increase in bad loans in Banks is due to priority sector and agriculture loans. Later, it was sought to be diluted as system generated NPAs. But now it is becoming clear that it is a systematic loot of public money. Even the Government has confessed that the big and rich borrowers are the real culprits.

- Bad Loans in Public Sector Banks : Rs. 1,64,000 crores
- Bad Loans in 30 top Accounts in Banks : Rs. 64,000 crores
- Bad Loans in 172 corporate Accounts (Rs.100 cr +) : Rs. 37,000 crores
- Bad Loans in 7295 Accounts(Rs. 1 cr & above) : Rs. 68,000 crores
- Bad loans written off in the last 7 years : Rs. 1,40,000 crores
- Bad Loans restructured & shown as good loans : Rs. 3,25,000 crores

In order to highlight this problem and demanding remedial measures, it has been decided to observe **5th December, 2013 as All India Day** through badge wearing, postering and demonstrations on the following demands:

- ***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***

PROGRAMMES:

- **BADGE WARRING**
- **POSTERING**
- **ISSUING LEAFLETS**
- **DEMONSTRATIONS IN ALL STATE CAPITALS AND OTHER TOWNS/CITIES**

Comrades, we all know that increasing bad loans in the Banks is a serious menace. These bad loans are eating the very vitals of our Banks. Hence AIBEA Central Committee has called upon all our units and members to build up a relentless fight on this issue so that stringent and urgent measures are taken to recover the bad loans and save our Banks.

With greetings,

Yours Comradely,



**C.H. VENKATACHALAM
GENERAL SECRETARY**

