



IBOA CONNECT



All India Indian Bank Officers' Association

3, Sripuram 2nd lane, Royapettah, Chennai 600 014,
Ph No. 044-2811 3376/86 Email: iboa.tn.pondy@gmail.com
Website: www.aiiboa.in

Vol : 5 - Issue : 8

Internal Circulation

June 2021

Asset Reconstruction Company or Bad Bank

Dear Comrade,

In Budget speech 2021, the finance minister announced "An Asset Reconstruction Company Limited and Asset Management Company would be set up to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization." This speech implicitly reveals that depletion of Bank's capital due to stressed assets will be taken care through ARC than through capitalizing the Banks with budgetary resources.

The principle based on which ARC works is that the selling bank sets reserve price for the bad debts and the ARC concerned will issue Security Receipts (15% will be paid in cash upfront) equivalent to the total bad debts sold. The annual fees for the ARC set at 1.5% of security receipt value as determined by a rating agency and this is the main source of income for the ARC.

Once the loan accounts are recognized as bad debts, Banks are trying to recover the bad loans through debt tribunals, Lok Adalats, action under SARFAESI Act and the Insolvency and Bankruptcy Code's (IBC) resolution/liquidation process.

According to finance ministry figures, PSBs had written off a total of Rs.2.46 lakh crore worth of loans over the five years 2012-13 to 2016-17. Further this figures also reveals that Schedule Commercial Banks had written loans of Rs.2,36,265 crore, Rs2,34,170 crore and Rs.1,15,038 crore during FY 2018-19, FY 2019-20 and the first three quarters of FY 2020-21 respectively, or a total of Rs.5,85,473 crore. However these are technical write off and recovery efforts continues and borrower continues to be liable. But it is known fact that the record of recovery in written off account was poor.

Since Banks are making provision for the bad debts and record of recovery is poor, this provisioning affect the bank's profit and its incremental lending and meeting Basel capital adequacy norms. To help the banks to maintain capital adequacy ratios, the government has been pumping the PSBs with funds for recapitalization. The government has so far infused Rs. 4,16,500 crore into

the public banking system to strengthen their balance sheets and bring them into conformity with globally recommended standards. The 2019-20 budget had provided for recapitalisation to the tune of Rs.20,000 crore through the issue of "non-interest bearing, non-transferable special Government of India securities". The July 2020 issue of the RBI's Financial Stability Report projected that the GNPA ratio could rise to 14.7% by March 2021 under a severe stress scenario. On account of Pandemic, Government announced number of measures to support stressed corporate and retail loans and to restructure MSME loan accounts. These accounts are treated as standard loans but if remain unserviced beyond stipulated period it will become NPAs.

This would require an step up of the NPA reduction drive such as recapitalization, maximize recovery of technically written-off bad debts and find ways of temporarily taking bad debt off the books of banks. As the central Government wants to comply with FRBM act, it finds difficulty in infusing the funds to PSB which leads to increased fiscal deficit. In this conditions, other options were attempting debt write-offs with reasonable recovery either directly through the IBC process or via ARCs. Though the IBC process has ensured better recovery than the lok adalats and SARFAESI ACT but its success rate is limited considering delayed and proving effective only in a small number of cases. In this background, announcement of bad bank or ARC has to be evaluated. But our experience with the ARCs is that they did not show better result in resolving the NPAs. ARCs accepted large volume of NPAs expecting the huge management fees. ARCs were the beneficiaries in this process rather than Banks. Therefore, let us wait for the details as to what new features would characterize the structure and functioning of the proposed ARC and AMC and how it helps the banks in resolving the NPAs.

Yours Comradely

R Sekaran
Secretary General



All India Indian Bank Officers' Association
&
All India Allahabad Bank Officers' Association
(Affiliated to AIBOC)

Circular No. JOINT/01/2021-22

Date : 24/05/2021

Dear Comrade,

Merger of AIIBOA and AIABOA – MOU Signed.

Merger of **AIIBOA** and **AIABOA** - MOU Signed - Let us move forward - Two great Institutions, rather to say Two Great Banks viz., **Indian** Bank and **Allahabad** Bank were merged and thus the merger has become a reality on **01 04 2020**. The UFBU and the AIBOC were opposing the moves of merger for a long time. Various agitational programmes were conducted and the legal battle was also resorted too. The opposition to merger was on a sound footing that every organization or an Institution has its own culture, character and philosophy and that basic tenets should not be forcefully uprooted. But then, when the merger decision was imposed and it has become a fait accompli, we sincerely thought that we cannot afford to sit and cry as to what had happened, rather we should look forward to finding the ways and means to protect and to preserve the human capital of both the Institutions ie **IB&AB**. As Officers' organizations of IB & AB, we thought that we have an onerous responsibility to address the anxieties and concerns of our Members and provide a sense of comfort and solace to them and to assure them that they are not alone and that they have an Association to fall back upon for any of their needs and that they can share their spirit of camaraderie which is the binding factor with which we all can navigate through the difficult times.

In that direction the leadership of **AIIBOA** and **AIABOA** commenced the consultations and discussions to come together and to work in unison and become **one** Association at the earliest. As the merger of Banks took place during COVID- 19 pandemic spread which is still continuing and posing threat to the life of every country men, with the threat being more immensely felt by the Bank men in view of their job role and the lock down restrictions constraining our movements, the process of discussions and consultations was posing many practical and other logistic difficulties. But the leadership of the **AIIBOA** and the **AIABOA** did not deter and many meetings were held over video conferencing facility and in person to the extent possible. From the Bank's side, we were impressed upon that they would like to have discussions with one Association to finalize the policy decisions on service matters such as Transfers, Promotions, Redressal Mechanism, etc., besides sharing of various operational decisions that need our active involvement to ensure the success of the same as we are the recognized Officers' Association. Though we have facilitated a coordinated arrangement of **AIIBOA** and **AIABOA** to meet the requirements of such situations and needs, it was purely of a temporary nature and the crying need was felt that **AIIBOA** and **AIABOA** should become one Association so that a permanent structure is available for the Members to bank upon with confidence towards expeditious redressal of their grievances and to the Management to rely upon in framing personnel policies & others, as one year period had already passed since the merger has become effective. In the meantime our National Organization, **AIBOC** was also continuously urging upon us to merge and to function as one Association as it is the need of the hour and a responsibility is cast upon both **AIIBOA** and **AIABOA** to provide a credible forum to avoid any misgiving among the members as to whom to approach for redressal of their grievances and at no point of time they should feel that they have become strangers in their own Institution.

The process of evolving the merger was arduous and a painstaking one. While **AIIBOA** is under Federal set up, **AIABOA** is a unitary Association. After threadbare discussions, it was mutually resolved that the merged Association - **AIIBOA** will be a Federal set up. The leadership positions will be shared based on the membership concentration in each area. The guidelines issued by the **AIBOC** have been followed in this regard. **AIIBOA** and **AIABOA** had kept their different levels of leadership apprised of the discussions regularly, their views were enlisted and given credence, to the best possible extent conforming to the guidelines issued by **AIBOC** and the consensus view emerged has been reduced by way of a Memorandum of Understanding (**MOU**). We are glad to inform that the said MOU was finalized by the President and General Secretary of **AIIBOA** and **AIABOA** respectively and Com Murali Soundararajan and Com Soumya Datta, the President and the General Secretary of **AIBOC**, respectively, graced the **historic** occasion with their presence through VC on **22.05.2021**.

Comrades! What has been signed is not merely the piece of Memorandum of Understanding, as we have tried our best to ensure maximum understanding appreciating the requirements of each other to the maximum possible extent. We do not claim that we have achieved total perfection but we would only say that we have done our best going by the spirit of accommodation and understanding and in that direction there is no dearth of sincerity on our part. It could be possible that some of the expectations could not have been met but then we appeal to all to understand our constraints and to extend their cooperation as every issue that arises is not resolved merely by a Rule, rather they are resolved by the spirit of sharing and caring. The MOU is annexed for the information of our members. Comrades, the entire exercise was well intended looking to the future organizational needs and effectiveness. We are sure that the time will prove that we are in the right direction as we have gone by the guiding principles of **AIBOC** - **Nation** First, **Organization** Next and **Individual** Last. We would like to mention that we intend to hold the Conference of the Amalgamated entity, the **AIIBOA**, at the earliest. We would like to conclude here, recalling the famous words of late Com **RN Godbole**, one of the founder leaders of **AIBOC**, at the time of his superannuation –

“Organizations are permanent, Men are not”

Let us March on with a resolve that we will not waver, we will not tire, we will not falter and we shall overcome& succeed.

With revolutionary Greetings



R Sekaran
Secretary General
AIIBOA



P Anand Rao
General Secretary
AIABOA



***Congratulations to our Top Management and
Team Indian Bank who have steered our
Bank to register a Record Net Profit of
Rs.3005 crores for the FY 2021.***



Retirements

Sl.No.	NAME	DESIGNATION	BRANCH
1.	Santha Kumar M	Asst General Manager	CO: Banking Operation Dept
2.	Balaiah M	Asst General Manager	CO: Banking Operation Dept
3.	Lakshminarayanan S	Asst General Manager	CO: Recovery Cell
4.	Siva Kumar V	Chief Manager	ZO:cuddalore
5.	Hebsur Rahman M	L D M	Tiruvallur Bazaar
6.	Santhi T	Chief Manager	ZO:karaikudi
7.	Baskaran N	Chief Manager	Ind Msme Sriperumpudur
8.	Umadevi R	Senior Manager	Chinnampalayam
9.	Suguna Bhai A S	Senior Manager	ZO:trichy
10.	Anna Durai K	Senior Manager	East Gate
11.	Ramakrishnan S V	Senior Manager	CO: Risk Management Dept
12.	Gandhimathi A	Senior Manager	Kurubarapalli
13.	Rama Krishnan R	Senior Manager	ZO:chennai (North)
14.	Lakshminarayanan R	Senior Manager	Valasaravakkam
15.	Sekar M .	Senior Manager	Udumalpet
16.	Subramanian V	Senior Manager	CO:retail Assets
17.	Annamalai P R	Senior Manager	Karaikudi
18.	Subramanian V	Senior Manager	Tharangampadi
19.	Ranganathan K	Senior Manager	Insp. Centre, Coimbatore
20.	Kanagaraj R	Senior Manager	Kovilpatti
21.	Sheela M	Senior Manager	Purasawalkam
22.	Srinivasan G	Senior Manager	CO: Rural Banking Dept
23.	Vanathilatha M E	Senior Manager	Tiruverumbur
24.	Muthu AL	Manager	Teynampet
25.	Jeganatha Jenarthanan G	Manager	Ayodhiapatnam
26.	Shanthi K	Manager	Jawahar Nagar
27.	Radha D	Manager	CO: Hrm
28.	Murali S	Manager	Namakkal
29.	Valarmathi L	Manager	Melvisharam
30.	Natarajan M	Manager	Madukarai
31.	Patrick Suresh P	Manager	Lawly Road
32.	Chidambaram O.L	Manager	Devakottai
33.	Bhawser Ponselkar Kingston A	Manager	Perianaickenpalayam
34.	Natarajan M	Manager	Madukarai
35.	Santhanam V	Manager	Srirangam
36.	Rajakumar V	Security Officer	ZO:trichy
37.	Ganapathiraman	Security Officer	ZO:kumbakonam
38.	Palanivel V	Asst.Manager	Kalapatti
39.	Dhanabagyam P	Asst.Manager	Madambakkam
40.	Uma Maheswari M S	Asst.Manager	ZO:vellore
41.	Elangovan K	Asst.Manager	Neelankarai
42.	Rajagopal A	Asst.Manager	Pandalur
43.	Sivakumar K	Asst.Manager	Tiruvallur Bazaar
44.	Rajagopal A	Asst.Manager	Pandalur

AIBOA Wishes the above Comrades a Very Happy, Healthy and Peaceful Retired Life.