



ALL INDIA BANK EMPLOYEES' ASSOCIATION

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**To
Smt. Nirmala Sitharaman,
Hon. Minister for Finance,
Government of India
New Delhi.**

Dear Madam,

We represent the All India Bank Employees' Association, the oldest and largest bank employees trade union and representing employees working in public sector banks, private banks, foreign banks, Regional Rural Banks and Co-op. Banks.

We convey our greetings and best wishes on your assuming charge as the Finance Minister and look forward to your heading the Ministry with success amidst the turbulent challenges facing our economy at present.

Since the Government and the Finance Ministry are preparing for the ensuing Budget, we deem it proper to submit the following viewpoints and suggestions for your consideration and due incorporate in the Budget proposals.

We are sure that the same would receive your due attention and consideration.

Thanking you,

Yours sincerely,

**C.H. VENKATACHALAM
GENERAL SECRETARY**

AIBEA'S SUGGESTIONS & PROPOSALS FOR BUDGET

BANKING SECTOR

- Public Sector Banking in India is in the Golden Jubilee year. On 19th July, Public Sector Banks in India would be completing 50 years of yeomen service to the nation. Hence, the Government of India should celebrate the 50th anniversary of Bank Nationalisation in a befitting manner by advising all the Public Sector Banks to celebrate the occasion hailing their achievements in the last 50 years across all sectors.
- Right to Banking should be made a fundamental right.
- The rate of interest on Savings Bank Deposits needs to be revised upwardly by atleast 2 basis points.
- The interest on fixed deposits shall be exempted from the purview of Income tax.
- The Banks should extend agriculture loan at the rate of 2% per annum (simple).
- The Banks should extend education loan at concessional rate of interest to the poorer sections of the people, at the rate of 5% per annum (simple) with interest subvention.
- All Private Sector Banks should be brought under the Public Sector.
- The Government should hold full control of public sector banks with 100% equity holding and shall not disinvest its shareholding.
- Willful default of bank loans should be declared as a criminal offence through suitable amendment to law.
- Non-Performing Assets of the Banks have risen phenomenally and hence, the Government should institute more Debt Recovery Tribunals and Fast Track Courts to recover the bad loans.
- The Reserve Bank of India should publish the list of defaulters, who owe to the banks more than Rs.1 crore. This defaulters list should be published every six months with updates.
- Section 45 of the RBI Act to be suitably amended to provide powers to RBI to publish the name of any defaulter in public interest.
- Bank loan defaulters should be prohibited from contesting in any of the elections to local body or Legislative Assembly or Parliament or to hold any public office of profit. Such of those persons, who hold any such position at present should be made to relinquish their positions.

- Fast track courts shall have to be vested with more powers to recover the bad loans and stringent laws should be enacted to ensure more recovery.
- Assets Reconstructions Companies should be closed down. Instead measures should be taken to recover the bad loans than selling them to ARCs.
- The Insolvency and Bankruptcy Code (IBC) is facilitating the Corporate defaulters to get away easily as the banks are forced to bear enormous "write-off" of bad loans in the name of "hair-cuts". IBC favours resolution of bad loans instead of recovery. Hence, recovery mechanism should be strengthened instead of resolution process.
- To facilitate recovery, recovery laws should be enacted/amended to confiscate the personal assets of the Directors in case of default by a company, in which they are directors.
- Banks should be advised to institute separate vertical, headed by a General Manager, for recovery in "Prudentially Written Off/Technically Written Off" accounts. The details of such recovery shall have to be placed before the Boards of the Banks and submitted to the Ministry of Finance on a quarterly basis.
- A system to be evolved to ensure accountability and responsibility on the part of the Managing Directors & CEOs/Executive Directors and other Executives of the Public Sector Banks in respect of sanction of credit, which turn into NPA within one year (quick mortality cases).
- Periodical review should be made to identify the beneficiaries, whose debts/loans availed from the banks were written off with interest. The details should be submitted to the Boards of the Banks every Quarter.
- There should be a strict supervision on corporate houses, who resort to External Commercial Borrowings, to ensure that the rules/guidelines envisaged by the Government are strictly adhered to instead of diversification.
- Public Sector Banks deal with short term and medium term Deposits. But in the absence of Development Finance Banks, PSBs are now extending long term credit to huge infrastructure projects and thus there is a distinct Asset and Liability mismatch. Short Term funds of the Banks are locked up in long term projects. This inflates the NPAs of Banks in an alarming way. Hence Government should announce separate DFI/Banks to finance long term infrastructure projects. The existing infrastructure loans should be

transferred to this DFI. This will also instantly reduce the NPA % in PSBs.

- RBI has introduced the concept of "Banking Correspondents", with a view to ensure banking to the doorsteps of the rural population. However, banks are engaging contractors to hire "Banking Correspondents" which results in exploitation of the unemployed youth.
- Instead the banks themselves should engage "Banking Correspondents or Bank Mitras" as a separate category of employees with defined service conditions and uniform rules.
- RBI should stop issuing licenses to private corporates to open banks and on tap licensing policy should be scrapped.
- In the interest of the rural population and to ensure proper rural credit, the infrastructure of the Regional Rural Banks shall be utilized by merging them with the sponsor banks.
- Cooperative banking institutions should be strengthened and recapitalized by collective mechanism of funding them by both Central and State Governments by implementing the recommendations of Vaidyanathan Committee. A separate recapitalization fund of Rs.10 lakh crores be allocated in the budget for this purpose.
- A fund of Rs.2 lakh crores shall have to be allocated every year in the budget to refinance the cooperative institutions in case of non-recovery of farm loans from small and marginal farmers owing to crop failure and nature's fury etc.
- Profits of Co-op. Banking institutions should be exempt from the purview of income tax, atleast in relation to rural co-op. banks.
- There should be expansion of public sector banks and to that effect, more branches should be opened in unbanked and rural areas. Hence, there should not be merger and consolidation of public sector banks which results in monopoly and also shrinkage of banking services.
- Existing guidelines on outsourcing basic banking operations and regular banking jobs should be stopped and adequate recruitment of staff should be ensured in all the Banks.
- The cost incurred by Banks due to demonetization in 2016-17 should be reimbursed by the Government of India to the Banks, by specific announcement in the Budget.

- Banks should not offset or transfer the burden of Corporate NPAs and Bad Loans on banking customers by hiking charges and the increase in service charges

TAXATION

- The ceiling on income tax for salaried persons should be raised upwards to Rs.7.5 lakhs with exclusion of fringe benefits viz., housing, medical, educational facilities etc. The income tax rate above Rs.7.5 lakhs and upto Rs.12 lakhs shall be 10% and above Rs. 12 lakhs upto Rs. 20 lakhs shall be 20% and above Rs. 20 lakhs and upto Rs.25 lakhs shall be 25%.
- The income tax slab for rich individuals should be raised significantly. For annual incomes between Rs. 25 lakhs and Rs. 1 Crore, tax rate should be 35% and for annual income above Rs. 1 Crore, the tax rate shall be 40%.
- Adequate steps to be initiated by the government to recover the tax dues from industrialists, high networth individuals and companies, corporates, through law enforcement agencies.
- India's tax-GDP ratio is one of the lowest in the world. Further, the direct tax income is also quite low vis-à-vis the indirect taxes. While the indirect taxes burden is borne by all the people of the country, the lower direct tax collections result in rich getting incentive due to "low tax regime" while the poorer and common man gets taxed. Hence, proper mechanism should be devised to secure more direct tax income and by reducing the indirect tax viz., GST on various essential products and commodities.
- The exemptions on tax and "tax holidays" to Corporates and industrialists should be scrapped and abolished.
- Uniform tax rates for goods should be introduced throughout the country and adequate compensation should be paid to the State Governments by the Centre for such introduction, for the revenues that would be affected by such move.
- The tax on all stock market and futures' transactions should be collected. Applicable tax should be collected for dividend income.

BLACK ECONOMY AND UNEARTHING BLACK MONEY

- The report on the unaccounted income in India as studied by the National Institute of Public Finance and Policy, which was commissioned by the Central Board of Direct Taxes about 6 years ago, should be made public and a separate task force should be formed to unearth the unaccounted income and black money, which are in the form of assets, real estates, foreign currencies etc. The

report would throw light on as to how the black economy thrives in the country, which shall be the guiding factor for devising policies to curb black money.

- There should be a definite plan to bring back the black money stashed away abroad.
- The names mentioned in the “Panama Papers” should be disclosed to public and stringent measures to be taken and initiated to bring back the money stashed away in the offshore tax havens.
- The size of the black economy is more than 70% of the GDP and hence, urgent measures are required to curb the black economy, tax evaders and offenders.
- The money unearthed shall be invested in social spending, infrastructure sector, essential sectors like health, education, food security, which sectors have very low budget allocations due to fiscal deficit targets.
- To ensure that the Black money does not flow into the coffers of the political parties, the electoral bonds should be scrapped as there is no need for disclosure of the names of the donors.

MEASURES TO RECOVER THE EXPOSURE OF PENSION AND PROVIDENT FUNDS IN IL & FS AND OTHER DEBT-RIDDEN NBFCs

- Pension and Provident Funds have exposures to IL&FS and other NBFCs. The exposure of Postal Life Insurance Fund is Rs.687 Crores, the National Pension Scheme (NPS) exposure is Rs.1270 Crores, SBI Employees’ Pension Fund exposure is Rs.425 Crores, SBI Employees’ Provident exposure is Rs.410 Crores and Rural Postal Life Insurance Fund exposure is Rs.318 Crores, CBT EPF exposure is Rs.575 Crores. These funds are from the retirement corpus to be payable to the employees and workers. Therefore, the Government of India should purchase these investments from the Pension and Provident Funds, which shall facilitate them to invest these huge funds in a profitable manner elsewhere. An announcement to this effect and allocation of funds shall be made in the current budget.
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