Vol. 44 No. 5 Total 12 Pages BANGALORE Single Copy Rs. 3/- AUGUST - 2025

Editorial

CONSOLIDATE THE GAIN!

Public Sector Banks (PSBs) have reported record profits and improved asset quality, even as they lose market share to private sector banks amidst worsening staffing gaps and governance concerns. In FY 2025, PSBs achieved historic financial results, significantly enhancing their profitability, asset quality, and operational efficiency. However, their market share in both deposits and credit continues to decline, raising concerns for the long term.

The total net profit of all public sector banks in FY 2025 reached Rs. 1.87 lakh crore, a 27.39 percent increase over the previous year. In comparison, private sector banks reported a total profit of ₹ 1.81 lakh crore, with a marginal growth rate of 7.01 percent.

This trend marks a significant shift in the profitability dynamics of the banking industry. Once criticized by some right-wing economists for lagging in profit growth, public sector banks have made a remarkable turnaround, posting substantial profits while maintaining their social commitments.

Additionally, public sector banks have made significant strides in reducing bad loans. The gross non-performing assets (NPA) decreased from Rs. 6.52 lakh crore to Rs. 2.90 lakh crore between FY 2021 and FY 2025, while net NPA declined from Rs. 1.98 lakh crore to ₹ 55,971 crore during the same period. This reflects the tremendous recovery efforts by frontline personnel and adherence to credit discipline, leading to a significant improvement in asset quality.

Moreover, the operating profit of public sector banks surged to ₹ 3.13 lakh crore, up from ₹ 2.02 lakh crore between 2021 and 2025. Total business (deposits plus advances) witnessed robust growth, reaching Rs. 257.08 lakh crore as of March 31, 2025. Nevertheless, despite these strong operational figures, their market share continues to decline. PSBs' share in total deposits fell from 68.96 percent in FY 2021 to 63.91 percent in FY 2025, a trend that is similarly reflected in advances.

One of the major challenges facing public sector banks is an acute shortage of staff, high workload pressure, and unrealistic targets for achieving non-banking fee-based businesses, which often detracts from core banking activities. The total staff strength in public sector banks decreased from 8.07 lakh in 2021 to 7.75 lakh in FY 2025, despite an increase in business volume and customer footfall. Additionally, during this period, PSBs opened only 1,487 branches, limiting their physical expansion.

An excessive reliance on outsourcing and contractual employment introduces serious operational risks for public sector banks. The rise in fraud cases and the lack of follow-up on loans and advances can be traced back to these unregulated staffing patterns. Beyond inadequate staffing, there are deeper systemic challenges related to governance and the digital infrastructure of public sector banks. Many PSBs have IT infrastructure that lags behind industry standards, facing software bottlenecks, underpowered hardware, and networking issues that hinder normal functioning at the branch level and contribute to customer dissatisfaction.

Almost 50 percent of board positions are vacant, lacking representation from the largest stakeholders—employees and officers. The boards often lack professional competence and provide little support to top management.

Financial figures indicate that PSBs remain crucial and high-performing pillars of the national economy. As the government explores and experiments with various structural reforms, we will be closely monitoring whether these PSBs are allowed to expand by removing existing bottlenecks. We wish to caution that the Confederation will oppose any aggressive privatization efforts. While we celebrate the outstanding performance of public sector banks, we also pledge to address any internal challenges within the banking system and fervently advocate for the cause of public sector banking.

March on comrades,

NationAgainstPrivatisation

BankBachaoDeshBachao

CIRCULAR

We are reproducing the full text of Circular No. 2025/30 dated 08th July, 2025 by AIBOC celebrating the 56th Anniversary of Bank Nationalisation Day.

Dear Comrades,

CELEBRATING THE 56TH ANNIVERSARY OF BANK NATIONALISATION DAY

It is time to reflect once again, on the momentous day of July the 19th and sense pride of an event that changed the course of Banking in the economic landscape of the country. The nationalisation of major banks in 1969 is not just a calendar event but it represents a fundamental shift towards a more equitable and inclusive financial system, a vision that our trade union has consistently campaigned and advocated for.

The event of nationalisation was an unswerving response to the needs of our budding independent nation. Prior to 1969, banking was largely concentrated in private hands, primarily serving the interests of big business houses and mostly concentrated in urban centres. Rural India, agriculture, small-scale industries, and the common person were largely excluded from the formal financial system. The consequences were visible through economic disparity, limited access to credit for productive purposes, and resultantly the banking sector failed to truly serve the nation's developmental aspirations keeping in pace with the needs.

Nationalisation marshalled a new era when the Public sector banks became instruments of socio-economic changes, facilitating banking services to the remotest corners of the country, financing agriculture through schemes like priority sector lending, promoting small and medium enterprises, and empowering millions through financial inclusion initiatives. It was the Public Sector Banks that played a crucial role in the Green Revolution, in poverty alleviation programs, and in making banking accessible to the common man, nurturing a culture of savings and investment amongst the citizenry.

As a proud activist of the banking sector trade union movement, we take immense pride in the role we have played in restoration and sustenance of the public sector fabric of our banks. Our collective efforts, our struggles, and our unflinching commitment have ensured that public sector banking remains relevant and gregarious in India's economy. We have fought against policies intended to dilute the public character of our banks and have consistently advocated for their robust growth and expansion with a bird's eye view of embracing rural economy and agrarian development.

However, we are not oblivious to the challenges ahead that demands for a more consolidated efforts in coming days to counter and propagate. In recent years, we have witnessed persistent attempts to compromise with the progress and autonomy of PSBs through various means.

The incalcitrant motive around privatisation poses a significant threat to the very essence of public sector banking. We firmly believe that privatising PSBs would not only stall the financial inclusion initiatives but also concentrate wealth and power in a few hands, degenerating the gains made over decades and revert the position back to what had prompted the then dispensation to embrace the idea of bank nationalisation.

Continuous understaffing, coupled with increasing workload and pressure to meet illogical targets poses immense strain on our colleagues. We demand adequate recruitment and a congenial work environment in our bid to ensure survival and sustenance of the Public Sector Banks and defeat the ploy to frustrate the workforce and thus deliberately cause injury to the prospect of the Public Sector Banks.

There have been instances where employees' rights have been infringed, where employees have been subjected to mental and physical assaults. There have been instances when the autonomy of our bank boards has been invaded. All these to encroach upon the prosperity of our banks, notwithstanding the consistent and unbeatable performances that the nationalised banks are displaying years after years sustaining against all the odds. Such cultivated and ill-conceived motive can be construed as a direct attack on the prospect and prosperity of the Public Sector Banks.

On this Bank Nationalisation Day, let us reaffirm our commitment to

defend Public Sector Banking. We must continue to be vigilant against any attempts to privatise or dilute the public sector character of our banks.

We will continue to fight for fair treatment, secured working conditions, adequate recruitment, autonomous functioning, a supportive policy environment affording a level playing field for PSBs to thrive and dignified work environment for all bank employees.

We will advocate for policies that further excavate financial inclusion and ensure that banking services reach every section of society in our fest to celebrate the Bank Nationalisation Day in its true hue and spirit.

Let us draw inspiration from the visionaries who advocated bank nationalisation and from the countless bank employees who have dedicated their lives to serving the nation through public sector banking channels. Let this day be a reminder of the power of collective action and our untiring resolve to protect and strengthen the institutions that truly serve the people, that truly contributes towards building of Nation. In this juncture the clarion call of, "Save Public Sector, Save the Nation" thus inspires us the most and finds justification in our crusade that we take resolve for.

Let us unite to showcase our collective strength and commitment to preserving the public sector character of Indian banking while celebrating the 56th Anniversary of Bank Nationalisation in a meaningful way at all levels of the organization.

We urge upon all state committees to organise various programmes in this occasion and arrange for wide publicity in print and electronic media. Please share the details of the programmes conducted with a few photographs with the secretariat.

With revolutionary greetings,

Comradely Yours,

Sd/-
Rupam Roy
General Secretary

Shared Articles

ED FILES CHARGESHEET AGAINST EX UCO BANK CMD SUBODH KUMAR GOEL; ATTACHES RS 106-CRORE ASSETS

A chargesheet has been filed against arrested former UCO bank CMD Subodh Kumar Goel and his family members, and his properties worth Rs 106 crore have been attached under the anti-money laundering, the Enforcement Directorate (ED) said on Friday.

Goel was arrested by the federal probe agency in May from his home in Delhi in an alleged bank loan fraud case of more than Rs 6,200 crore linked to a Kolkata-based TMT bars supplying company named Concast Steel & Power Ltd. (CSPL). He is currently lodged in a Kolkata jail under judicial custody

Movable and immovable assets of Goel worth Rs 106.36 crore were attached as part of a provisional order issued under the Prevention of Money Laundering Act (PMLA) on July 9, the agency said in a statement.

It added that a fresh chargesheet was also filed before a special PMLA court in Kolkata on July 11, and Goel, his family members, close aides and related companies have been named as accused.

The former UCO Bank boss was arrested for playing a "substantial" role in sanctioning loans of more than Rs 1,460 crore to CSPL, which later on turned into an NPA (non-performing asset).

"In lieu of sanctioning loans to CSPL, Goel received substantial illegal gratifications in the form of cash, immovable properties, luxury goods and services routed through a web of shell companies," the ED said.

Evidence, it alleged, also shows the use of accommodation entries (hawala transactions) and structured layering through front companies for systematic settlement of kickbacks, it said.

A Chartered Accountant (CA) named Anant Kumar Agarwal, an alleged close associate of Goel, was also arrested by the agency in June for "facilitating accommodation entries, managing shell entities, and routing illegally acquired cash." Agarwal, too, is lodged in jail at present.

With the latest attachment, the total freezing of assets in the case stands at Rs 612.71 crore, according to the ED.

(Economic Times e-paper dated 28.07.2025)

CREDIT GROWTH INCHES UP TO 9.8% AS DEPOSIT GROWTH CONTINUES TO OUTPACE

At 10.1%, deposit growth continues to outpace credit, although the gap has narrowed to 300 basis points

The pace of bank credit growth grew to 9.8 per cent year-on-year (Y-o-Y) in the fortnight ended July 11, while deposit growth remained steady at 10.1 per cent. It continued to outpace credit growth, although the gap narrowed to 300 basis points, according to the latest data from Reserve Bank of India (RBI). In the fortnight ended June 27, the credit growth stood at 9.46 per cent.

During the same period last year, banking system credit grew 14 per cent while deposit grew 11.3 per cent.

In absolute terms, outstanding credit in the banking system stood at ₹ 184.63 trillion, while outstanding deposits were ₹ 233.25 trillion, as per the latest data. During the fortnight, credit declined by ₹ 23,036 crore, and deposits fell by ₹ 99,909 crore. In the previous fortnight, outstanding credit and deposits stood at ₹ 184.83 trillion and ₹ 234.25 trillion, respectively.

Credit growth has fallen sharply from the high of around 20 per cent in May 2024. In FY25, the credit growth was 11 per cent, while deposits grew 10.26 per cent.

In Q1FY26, most large private sector banks reported tepid loan growth.

HDFC Bank's — India's largest private sector lender — overall advances grew at 6.7 per cent Y-o-Y, while ICICI Bank's overall loan book grew 11.5 per cent during this time. Axis Bank's advances grew 8 per cent Y-o-Y in the quarter.

The deceleration in credit growth has been sharp in the past one year, as lenders are prioritising asset quality amid higher delinquencies in unsecured retail, microfinance business while continuously tightening the underwriting standards, experts said.

Banks are betting on the upcoming festival season to revive credit demand, supported by the RBI's rate cut and the boost in consumption expected from the tax sops announced in the Union Budget earlier this year.

"Economy is doing well. Monsoon has been extremely good. Government investment continues to help. And, I think, with the festival season starting from the end of second quarter, we are expecting demand to come from all the sectors", said Prashant Kumar, MD&CEO, Yes Bank in an interview with Business Standard earlier this week.

Sashidhar Jagdishan, MD&CEO, HDFC Bank in an analyst call, following the bank's Q1 earnings said, HDFC Bank is seeing some amount of healthy demand from the rural side, and while there has been some fatigue in the premium urban consumption in the recent past, but with the festival season, which will start shortly, it will have a reasonable amount of impetus on demand.

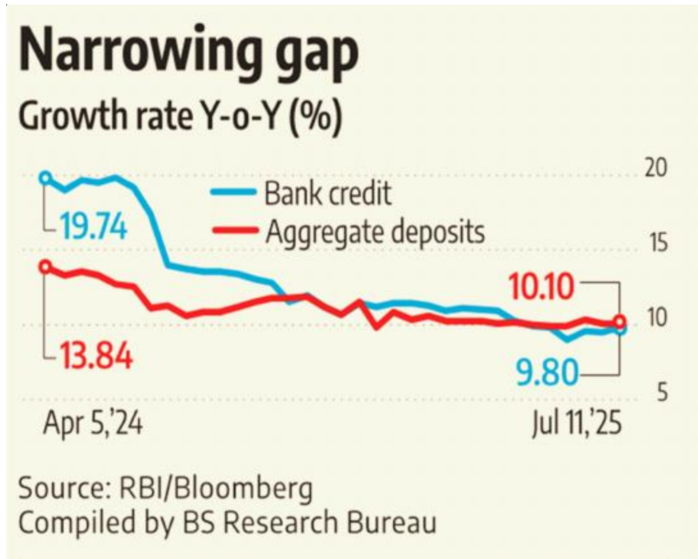
"The fact that interest rates have come down, the fact that people would have now started to see savings arising out of the fiscal largesse that was given in the last budget, I think all that will play in with the convergence of the sentiments and the moods, which normally the Indian festivities normally bring about", Jagdishan said in the analyst call.

The RBI's monetary policy committee (MPC) has cut policy repo rate by 100 basis points (bps) since

February, and the banks have passed on 50 bps of the 100 bps rate cut to the consumers in the form of lower interest rate on loans. Additionally, the RBI is keeping the system flush with liquidity so that the cut in policy rates could be transmitted to lending and deposit rates. The repo rate stands at 5.5 per cent and net liquidity in the system was in surplus of ₹ 2.55 trillion as of July 24.

Rating agencies estimate credit growth this year (FY26) to be around 11.5 – 12.5 per cent, but there could be some revision to the projections, as credit demand is expected to pick up in the second half of FY26.

Source: Business Standard e-Paper Dt. 28/7/2025



MONTHLY RBI BULLETIN: PUBLIC-SECTOR BANKS SLASHED RATES MORE THAN PVT PEERS

RBI report says PSBs reduced lending and deposit rates more than private banks in response to 100-bps repo rate cut; economy stays resilient amid global uncertainty

Following the 100 basis points (bps) cut in the policy repo rate since February this year, India's public-sector banks have lowered their lending and deposit rates more than their private-sector counterparts, data released by the Reserve Bank of India .

The decline in the weighted average lending rates of fresh rupee loans by the public sector banks was 31 bps till May, while that for private banks was 20 bps. Foreign banks saw a sharper decline of 49 bps (See table). For fresh deposits, the interest rates offered by PSBs fell 47 bps as compared to 41 bps by private banks.

The six member rate setting panel has cut the policy repo rate by 50 bps between February and May. In June, the rate was further reduced by 50 bps. One bp equals 0.01 per cent.

"During the current easing cycle (February-May 2025), the decline in weighted average lending rates on both fresh and outstanding rupee loans was higher for Public Sector Banks (PSBs) as compared to Private Sector Banks (PVBs)," an article on the state of the economy in RBI's July bulletin said.

"In response to the 100-bps reduction in the policy repo rate since February 2025, banks have adjusted their repo-linked external benchmark based lending rates downward by 100 bps and marginal cost of funds-based lending rate by 10 bps," it said.

Consequently, the weighted average lending rates on fresh and outstanding rupee loans of scheduled commercial banks declined by 26 bps (domestic banks - 24 bps) and 18 bps (domestic banks - 16 bps), respectively, during February-May 2025.

However, average bank credit growth continued to moderate across key sectors of the economy in May 2025, the article noted. Bank credit to NBFCs contracted in May 2025 as they raised a significant amount of debt from the capital markets via private placements, it noted.

"While overall credit to the industrial sector recorded a subdued growth due to a decline in credit growth to infrastructure, credit to the MSME sector continued to remain buoyant," the Bulletin said. The article also highlighted a "sharp deceleration" in personal loans, the main driver of banks' credit growth, and largely attributed this to a decline in other personal loans, vehicle loans and credit card outstanding.

"System liquidity remained in surplus to facilitate a faster transmission of policy rate cuts to the credit markets," the article pointed out. The report further observed that banks have been reducing their savings bank account deposits and rates on such deposits of some of the state-run banks are at all-time low.

"Banks have also reduced their rates on savings deposit. Currently, the savings deposit rates of some PSBs are prevailing at a historical low, since their de-regulation in 2011," the report said. State Bank of India, the country's largest lender, and HDFC Bank, the second largest player, offer 2.5 per cent on savings account deposits.

While observing that the rates on small savings schemes were kept unchanged by the government during the second quarter of the current financial year, the bulletin noted that "the prevailing rates on these instruments are higher than the formula-based rates by 33-118 bps." The July-September quarter is the sixth successive quarter that a status quo has been maintained on these rates.

Status check

Transmission across bank groups (Feb-May 2025)

	Lending rates (bps)		Deposit rates (bps)	
	WALR (fresh ₹ loans)	WALR (oustanding ₹ loans)	WADTDR (Fresh deposits)	WADTDR (Outstanding deposits)
Public-sector banks	-31	-17	-47	-3
Private-sector banks	-20	-15	-41	5
Foreign banks	-49	-52	-56	-41

WALR: Weighted average lending rate; WADTDR: Weighted average domestic term deposit rates;

Source: RBI Bulletin

The domestic economy stayed largely resilient, supported by strong fundamentals, with lower inflation, and farm sector prospects propping up aggregate demand, the article noted. While industrial activity recorded modest growth in June, growth in rural demand remained resilient and was accompanied by a recovery in urban economic activity.

"Amidst global economic uncertainties, the front-loading of spending by the central and state governments, with a focus on higher capex, is helping to offset some slowdown witnessed in private capex expenditure," the article's authors reckoned.

"Easing inflation, improving kharif season prospects, front-loading of government expenditure, targeted fiscal measures and congenial financial conditions for faster transmission of rate reductions should support aggregate demand in the economy, going forward," it noted.

The article observed that the financial markets seem to have taken trade policy uncertainties in their stride, possibly reflecting optimism on reaching trade deals that are less disruptive to the global economy. "Even so, underpricing of macroeconomic risk by financial markets remains a concern. The average trade tariff rates are set to touch levels unseen since the 1930s," it said.

The article mooted building more resilient trade partnerships as it presents a strategic opportunity for India to deepen its integration with global value chains.

"In addition, measures to accelerate domestic investment in infrastructure and structural reforms aimed at improving competitiveness and productivity would build resilience while supporting the growth momentum," the report added.

The article was authored by RBI staffers under the guidance of Poonam Gupta, deputy governor, RBI. Views expressed in the report are that of the authors and not that of the central bank, it was clarified.

Tracking transmission

Transmission to bank deposit and lending rates (variation in bps)

		Term deposit rates	
Period	Repo rate	WADTDR (fresh deposits)	WADTDR (outstanding deposits)
Tightening period May 2022 to Jan 2025	250	259	206
Easing phase Feb 2025 to Jun* 2025	-100	-51	-2

		Lending rates		
Period	EBLR	1-yr MCLR (median)	WALR (fresh ₹ loans)#	WALR (outstanding ₹ loans)
Tightening period May 2022 to Jan 2025	250	175	186	115
Easing phase Feb 2025 to Jun* 2025	-100	-10	-26	-18

*: Data on WADTDR and WALR pertain to May 2025
#: Based on constant weights
WALR: Weighted average lending rate;
WADTDR: Weighted average domestic term deposit rate
MCLR: Marginal cost of funds-based lending rate, and
EBLR: External benchmark-based lending rate
Source: RBI Bulletin

CIRCULARS

29 dated 05th July, 2025	:	AIBOC continues to extend its solidarity and unwavering support to the General Strike on 09.07.2025 called by Central Trade Unions and Independent Sectoral Federations of workers
30 dated 08th July, 2025	:	Celebrating the 56th Anniversary of Bank Nationalisation Day

THE FOOL WHO KNOWS HE IS A FOOL IS MUCH WISER THAN THE FOOL WHO THINKS HE IS WISE

We are sharing excerpts of an article published in the Labour Law Reporter published in July 2025 issue by Gaurav Kumar, Advocate, Supreme Court of India.

APPLICABILITY OF EXCLUSIVE JURISDICTION CLAUSES IN THE CONTEXT OF INDUSTRIAL DISPUTES

There is no settled law as on date as to the legality of exclusive jurisdiction clauses in the context of Industrial disputes. However, reasonable inferences can be drawn from various judicial decisions that such exclusive jurisdiction clauses can be enforced in industrial decisions that such exclusive jurisdiction clauses can be enforced in industrial adjudication as well.

In its recent judgment of Rakesh Kumar Verma v. HDFC Bank Ltd. ("Rakesh Kumar", hereinafter), the Hon'ble Supreme Court has held that exclusive jurisdiction clauses i.e. clauses limiting jurisdiction of raising disputes to one section of Courts are valid even with respect to employment contracts. This judgment was rendered in the context of enforceability of exclusive jurisdiction clauses in employment agreements for disputes brought before civil courts under the provisions of the Code of Civil Procedure, 1908 (CPC, hereinafter). The Hon'ble Court went on to hold that the parties can restrict jurisdiction to any set of courts provided that the contractual stipulation does not absolutely restrict any party from initiating legal proceedings pertaining to the contract; the Court that has been given exclusive jurisdiction must be competent to have such jurisdiction in the first place; and that such a stipulation must be impliedly or explicitly be set out in the agreement.

As stated above, the judgment of Rakesh Kumar (supra) was made in context of civil disputes. This judgment might still make one ponder as to whether exclusive jurisdiction clauses can be enforced even in disputes stemming out of the Industrial Disputes Act, 1947 ("ID Act", hereinafter)? Unlike the CPC, the ID Act does not specifically lay out any scheme as to the territorial jurisdiction of Industrial Adjudicators with respect to industrial disputes. Section 10(1)© of the ID Act bestows upon the appropriate Government the power to refer a dispute to a Labour Court or an Industrial Tribunal for adjudication. Section 2(a) of the ID Act prescribes which Government (whether the Central Government or the State Government) would be the "appropriate Government" for an industry depending upon the nature of the industry and its location. Even if one were to read these provisions word for word, a clear picture would still appear to be obscure. The Hon'ble Supreme Court, in Bikash Bhushan Ghosh and Others v. Novarits India Ltd. and Another, (Bikash Bhushan", hereinafter), after relying upon a full-bench decision of the Hon'ble Patna High Court in Paritosh Kumar Pal v. State of Bihar, laid down the relevant criteria for determining territorial jurisdiction for the purposes of industrial disputes:

i) Where does the order of the termination of services operate?

ii) Is there some nexus between the industrial dispute arising from termination of the services of the workman and the territory of the State?

iii) That the well-known test of jurisdiction of a civil court including the residence of the parties and the subject-matter of the dispute substantially arising therein would be applicable (or cause of action).

iv) Situs of employment of the workman.

This was reaffirmed by the Hon'ble Supreme Court in a much later judgment of V.G. Jagdishan v. M/s. Indofos Industries Limited. There can, thus, be more than one forum where the workman can raise an industrial dispute. For e.g., a workman can either maintain an industrial dispute at the place where he was last employed or even at the place from which the termination order was issued; or where a sales promotion employee, though employed at the office situated in state A, is currently performing sales promotion activities in state B. In such cases, can a clause in the appointment letter stating that the workman can only raise disputes before the courts located within the jurisdiction of the office exercising control and supervision legally constrain the workman from raising an industrial dispute in any other state?

The Hon'ble Calcutta High Court got to consider this question in the case of M/s. Alembic Limited Versus State of West Bengal & Others. The Hon'ble Calcutta High Court held that such a clause "itself cannot be held to be estoppel" for the workman/union to seek for a reference of industrial dispute anywhere else. The Court went on to hold that the object of the ID Act should be considered as paramount and that any decision/principles "of commercial jurisprudence or common law principles cannot be strictly applied to the case of industrial adjudication qua the power of the Appropriate Government to refer the dispute under Section 10 of the ID Act".

The Hon'ble Calcutta High Court's decision may not be legally tenable on several counts. First, it cannot be stated that common principles of law are not applicable in industrial adjudication. In Steel Authority of India Ltd. V. Union of India, it has been held by the Hon'ble Supreme Court that common law principles of estoppels, waiver and acquiescence are applicable to an industrial adjudication. This has been reiterated in the judgment of Chairman & Managing Director, Fertilizers & Chemicals Travancore Ltd. & Anr. v General Secretary FACT Employees Association as well. Second, in Bikash Bhushan (supra) itself, the Hon'ble Supreme Count was of the opinion that the provisions of CPC will be applicable in determining the territorial jurisdiction of an industrial dispute. When such is the case, there is no reason as to why a contractual stipulation limiting industrial adjudication to a particular state / forum (which has valid jurisdiction) cannot be given force. It may also be pointed out that in Bikash Bhushan (supra), the Hon'ble Supreme court also laid down the test of prejudice, whereby the employer can plead that sufficient prejudice will be caused to him if the dispute is allowed to subsist before that particular forum, such as the employer not having an office in that state. Third the Hon'ble Supreme Court in Rakesh Kumar has itself opined that an employment contract should not be considered to be different from any other ordinary contract.

Relevant observations of the Hon'ble Supreme Court are as follows:

21. ……… Like any other contract, even in an employment contract, a concluded contract presupposes the existence of at least two parties with mutual rights and obligations. Once a concluded contract comes into existence, it is axiomatic that such rights and obligations of the parties are governed by the terms and conditions thereof. Since there is a prior meeting of minds of the contracting parties, their intentions have to be gathered from the contract (appointment letter / employment agreement, here) and looking at the same, it can safely be inferred that the contracting parties were ad idem on the terms of the appointment letter / employment agreement which specified courts in Mumbai exclusively as the situs of dispute resolution.

22. Nowadays, the private sector employs individuals pan-India for providing services to reach people in the last mile. Therefore, it may not be possible for all employers in the private sector to contest suits at for-off places from the registered office. This seems to be the overwhelming reason why exclusion clauses are inserted. Rakesh and Deepti having accepted the terms and conditions of the appointment letter / employment agreement and acted upon its terms by joining their respective posts, they could not have possibly avoided the contract on a second thought that a term contained therein may not be beneficial for them at a subsequent state.

24. ……….. A contract – be it commercial, insurance, sales, service, etc. – is after all a contract. It is a legally binding agreement, regardless of the parties involved or their inter se strengths. To make a distinction for employment contracts on the specious ground that a mighty lion and a timid rabbit are the contracting parties would violate the principle of equality, in the sense that rights and liabilities would not be dependent on the parties' status, power or influence. Contracts should be treated equally, without bias or distinction. The fact that one party is more powerful or influential (the mighty lion) and the other more vulnerable (the timid rabbit) does not justify making exceptions or distinctions in the application of contractual principles.

25. We may also emphasize that unequal bargaining power is not unique to contracts of personal service. In many areas, such as business, commerce, or real estate, contracts may involve parties with dissimilar levels of strength, resources or negotiating power. As and by way of illustration, we can cite instances where big builders sub-contract a part of the development work entrusted to them to sub-contractors. Such contracts too involve the mighty lion and, though not a timid rabbit, but a weak lamb. Based on the status of the parties, the latter cannot escape from the consequences if the former seeks to enforce a condition in the contract which the latter perceives is oppressive or the latter, refusing to perform any of its obligations considering it as onerous faces a law suit for breach of contract.

26. Law treats all contracts with equal respect and unless a contract is proved to suffer from any of the vitiating factors, the terms and conditions have to be enforced regardless of the relative strengths and weakness of the parties.

The said observations of the Hon'ble Supreme Court

COMMON BOND ENGLISH MONTHLY-R.N.I.NO :36648/82 - TOTAL NO. OF PAGES 12 AUGUST -2025
REGN. NO. KRNA/BGE - 1122/2023-2025 PUBLISHED ON 25-07-2025
POSTED AT BANGALURU PSO, MYSORE ROAD, BANGALURU - 560 026 / ON 2ND OF EVERY MONTH
LICENCED TO POST WITHOUT PRE-PAYMENT-LICENCE NO. PMG BG/WPP 330/2023-2025

do not constitute the binding part of the judgment but are mere observations (obiter dicta). It is, however, no longer, res integra that the obiter dicta of the Supreme Court are entitled to considerable weightage.

A conspectus of the above discussion is as follows:

1. There is no settled law as on date as to the legality of exclusive jurisdiction clauses in the context of industrial disputes. However, reasonable inferences can be drawn from various judicial decisions that such exclusive jurisdiction clauses can be enforced in industrial adjudication as well.

2. Employers must ensure that the exclusive jurisdiction clause limits the jurisdiction of disputes to the state / set of courts where the workman would actually be able to raise an industrial dispute viz. the place of employment or the place from which control and supervision is exercised upon him. Limiting the exclusive jurisdiction to the head office of the company, which has no role to play over the supervision of the workman, would be entirely unenforceable.

3. For cases where the workman was working in a state where the management does not have any office (usually applicable in case of sales promotion employees), the plea of prejudice can be taken before the industrial adjudicator.

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Printed & Published/Edited by Shri Rupam Roy on behalf of AIBOC, at State Bank Building, St.Mark's Road Bangaluru-560 001.
Printed by Smt. Nithya Lakshmi, at L. V. Press 3916, 7th Cross, 4th Main, Gayathri Nagar, Bangaluru - 560 021