



ALL INDIA BANK OFFICERS' CONFEDERATION

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State Bank of India Officers' Association

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Date: 27.04.2017

Press Release

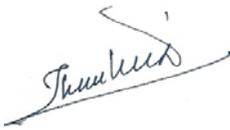
All India Bank Officers Confederation, the largest officers' organization having membership of around 285000 officers vehemently condemns the statement of RBI Governor Dr. Urjit Patel on merger of Public Sector Banks, while delivering the Kotak Family Lecture at Columbia University in New York. The RBI Governor Urjit Patel said that the Indian banking system could be better off if some public sector banks are consolidated to have fewer and healthier entities and he further added that it would help in dealing with the problem of stressed assets of these Banks. While we are aware of the agenda of the Government to destroy the fabric of the Public Sector by opening up nine previously restricted economic sectors, including civil aviation, single-brand retail stores, pharmaceuticals and military production, to 100 percent foreign direct investment and ownership, we are deeply hurt by the statement of Shri Patel, who as the head of the apex Bank of the country, should have refrained from making such an irresponsible comment publicly. Till date he has not come out with a public statement on Demonetisation in the backdrop of the findings of the Parliamentary Committee, which has opined that the exercise was a colossal failure. Yet, we are shocked to come across his statement, which is in sync with the stand of the Government. The yeomen service by PSU Banks in implementing the Jan Dhan Exercise as well as the handling of various Social Security Schemes has conveniently been forgotten. Further, during his speech he opined the PSBs to raise private capital from the markets and not rely on the Govt for that. He dare not ask the Government to compensate the PSU Banks for the opportunity cost for the entire period of Demonetisation and beyond, which has adversely affected the bottomline of the Banks. It is very unfortunate to learn that the Governor of the regulator of Banks in India commented that merger of banks would help in dealing with the problem of stressed assets of these Banks, which is inaccurate. History is replete with examples of failed mergers. In fact, most mergers do not

yield the desired synergy and end up in fiasco. The Indian economy will be significantly affected by the mergers as it will shrink the number of branches. The economically weaker sections of the society will be deprived of basic Banking services and would be gullible to the money lenders albeit in a different form. The RBI has been steadfastly refusing to divulge the names of top corporate wilful defaulters. His statement that the private sector banks are doing better is also not factual, Dhanlakshmi Bank Ltd., Catholic Syrian Bank Ltd. and even Axis Bank are not doing well and we demand nationalization of these Banks. We urge upon Shri Patel to make a statement on these issues to dispel many doubt about his 'neutral' stance.

Mr. Urjit Patel further added that "the weaker banks are losing market share and that is a good thing." Such a statement, made in a foreign country, against PSBs, whether weak or strong, and that too coming from the regulator is very culpable in nature. PSBs, whether weak or strong need to be revived, and as a regulator, the role of RBI is pivotal in this. A weak bank reveals a weaker regulator. The role of a regulator is not merely restricted to imposition of penalties at the drop of a hat, but more meaningfully and broadly to revive the position, to guide them, and to act as a mentor. Unfortunately, in our case, our regulator publicly appreciates the distressed position of PSBs, instead of coming out with any clue to revive the position. Regarding losing of Market Share by PSBs, Urjit Patel has conveniently hidden actual facts. Small PSBs, which have been alleged to have lost market share have in reality increased their deposits, advances and gross profit. However, due to the stringent provision norms prescribed by RBI, against the big ticket Corporate loans, the net profit has come down.

In the days to come, the position of NPAs will worsen if the names of wilful defaulters is not published immediately and treated as criminal offenders. The government and the RBI failed miserably to bring in any stringent act or regulation to deal with the wilful large corporate borrowers which account for more than 60 percent of the public sector banks' NPAs. The RBI cannot shirk off its responsibility of the huge NPAs as all the Bank's boards had RBI nominees as Director. Dr. Patel was in the board of SBI when many crucial decisions were taken.

AIBOC will continuously pursue its mission to unveil the wilful corporate defaulters and oppose any move to merge PSU Banks. It's a dichotomy that on the one hand RBI gives licence to more banks including small and Payment Banks but want Public Sector Banks to merge and reduce branches. In 60 years we have the lowest credit growth whereas Farmers don't get loans, traders don't get loans, students don't get loans. Let RBI see where the problem is. We do hope that in future Shri Patel will refrain from making such statements which will show the apex Bank in poor light and raise questions about the effectiveness of the Central Bank of the country, which is shredding its responsibilities day by day.

A handwritten signature in black ink, appearing to read 'D. T. Franco', written over a horizontal line.

(D. T. Franco)
General Secretary
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