

ALL INDIA BANK OFFICERS' CONFEDERATION

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State Bank of India Officers' Association

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AIBOC CONDEMNS THE CABINET APPROVAL OF MERGER OF PSBS

All India Bank Officers Confederation, the largest officers' organization having membership of around 320000 officers vehemently opposes the in principle approval by the Union Cabinet to set up an Alternative Mechanism to oversee the proposals for consolidation of public sector banks (PSBs) with a view to creating fewer but stronger lenders.

In the Parliament the Minister of State stated that there is no plan for merger. The announcement of merger plan just after a day of successful Nationwide strike indicates that the Government is not bothered about the Public opinion and feedback. This does not augur well for democracy.

This organization has time and again criticized such forced mergers and we will continue to protest such ill conceived plans of merger of Public sector Banks by GOI, NitiAyog and RBI which can wreck havoc on India's financial mainstay.

We can well understand the fact that the merger of public sector banks is a part of the government's broader plan to privatize the public enterprises to attract foreign investment. Already ICICI, HDFC, Axis which were in the Public Sector have become banks with high foreign holding.

In India and world over, there have been innumerable instances where Mergers and takeovers of banks has been unsuccessful because of reasons like unsuccessful consolidation of banks' working systems and methodology, asymmetric organisation restructuring, improper and hasty communication, inappropriate human resources integration, unsystematic assessment of risk pre-merger, lack of synergy, illogical managerial decision and lack of cultural consideration.

State Bank of India (SBI), India's largest bank, became even larger with the merger of its five commercial banking subsidiaries on April 1, 2017. This is stated as a success which is not true.

Leading up to the All Fool's Day merger, in mid-February 2017, finance minister ArunJaitley was confident the step would make the bank a global player; a month later, SBI chairperson Arundhati Bhattacharya indicated that she expected to boost the bank's annual profit by Rs 3,000 crore in three years.

When SBI declared its results on May 19, analysts discovered, to their horror, that the path to global greatness lay through a minefield of subsidiaries' losses, estimated at Rs 5,792 crores in the quarter ended March 2017 and Rs 10,243 crores for the full year. Excluding non-banking SBI subsidiaries such as life and general insurance, which reported annual profits of nearly Rs 2,000 crores, the losses would have been higher. SBI's recommended dividend of Rs 2.5 per share for FY 2017, will entail an outflow of Rs 2,073 crores, far exceeding the consolidated net profit of Rs 241 crores and the dividend was paid from the bank's reserves. Post the results, on May 22, SBI's stock price fell by 4.6% to Rs 294 and it is currently trading Rs 278, indicating investor apprehension with the huge and unexpected losses of its former banking subsidiaries.

Government has always understated the efforts put in by the PSBs and its employees to successfully conduct the various ambitious Social Security Schemes of GOI such as Jan DhanYojna, Mudra, Standup India etc. Very recently, the country has evidenced the exercise of „demonetization“ and it was these public sector banks which have burnt midnight's fuel to make it happen, though whether it is successful or not is yet in question. The brunt of demonetization had been directly encountered by the common men along with the poor Bankers; the pertinent question still remains unanswered; was it worth? RBI is yet to publish the official data on the amount of Black Money recovered,

which was the main objective behind „demonetization“ as depicted by our Prime Minister. Moreover, it took all these PSBs more than 3 months of hard labour and toil to set right the upheavals which were created by demonetization. The Banks could not lend or recover loans for a few months post demonetization. The GOI seems to be opening the gateway for privatization of PSBs, and quite unashamedly brushing aside the contribution of PSBs in implementation of GOIs various social sector schemes. When the Govt wants to lean on PSBs for support, they have been made to do it forcibly, but when the question of supporting PSBs by pumping in fresh capital to revive their capital base comes at this critical juncture, the govt has cunningly withdrawn, revealing an abominable double cross. Infact, the Public Sector Banks are spending their hard earned money for expenses related to Jandhan, Demonetization, pension schemes, Swachh Bharat Mission, Yoga Day etc.

The banks need capital for absorbing many of the losses out of stressed assets. 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 very immature and irresponsible on his part. It is a well-known fact that the NPA position of PSBs today is not the creation of the Banks per se, rather it is to the lopsided policies of successive govts which virtually paved the way for sanction of big ticket size Corporate Loans to a handful of chosen borrowers, most of whom have turned wilful defaulters. Neither RBI nor the successive govts could come out with any stringent recovery mechanism for such loans, and have been continually passing the buck on to PSBs. This has been pointed out by the Parliamentary Standing Committee on Finance. The declaration of willful default as a criminal offence is still to see the light of the day, which further worsens the situation for the PSBs. It is the need of the hour that our regulators come out with more teeth for tackling NPAs, as recommended by the Parliament Standing Committee instead of making such irresponsible statements Those handful of corporate loans, which have today cut a sorry NPA profile of PSBs have been thrust upon them without considering external factors like change in International Trade agreements, global market trends etc. Rather, it seems that RBI is hell bent on implementation of BASEL III Norms and Asset Quality Review (AQR) by any means, even knowing that the AQR will result in mounting losses for the banking sector.

Further hardly 5-10 per cent of the 6,32,000 villages have a bank branch of PSBs. The number of rural branches has been reduced from 54 per cent in 1994 to 33 per cent in 2014. Nearly 43 per cent of the rural credit is financed by money lenders, landlords etc. The number of suicides of farmers for want of institutional credit at low interest with long repayment period is on the increase. Hence merger and consolidation of PSBs are sure to be detrimental to the interests of the rural poor particularly farmers who are the backbone of our Nation. We all still remember how the earlier NDA government headed by Vajpayee introduced a bill in the Lok Sabha in December 2000 to reduce the government shareholding to 33 per cent thus paving way for privatization of PSBs. The united determined struggle of the bank employees and officers including through observance of several days“ strike to oppose privatization attempt and the solidarity support to the movement extended by a few democratic parties only prevented such a catastrophe. Again the present government is promoting the idea of privatization of PSBs. We would like to reiterate and put it in clear terms that we strongly resist the ill motivated ploy of merger and acquisition of Public sector Banks by the govt and the RBI. We also demand the immediate implementation of the recommendations of the Parliamentary Standing Committee on Finance on NPAs and if it is done and NPA comes down then there is no need for additional capital. In a nutshell, merger is a step towards privatization only and the people of the country whose taxes have contributed to the Public Sector Banks should oppose this move. UFBU consisting of 9 Unions including AIBOC is launching a massive campaign and will intensify the agitations if the move continues. Demonstrations are taking place today and next week days all over the country.



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