



## ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No: 3427/Delhi)

State Bank Buildings, St. Mark's Road, Bangalore – 560 001

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**CIRCULAR NO. 23**

**Date:23.02.2012**

**TO ALL AFFILIATES/MEMBERS:**

**GOVERNMENT/RBI'S DECISION TO ALLOW PRIVATE BANKS  
TO DO GOVERNMENT BUSINESS**

In a recent Circular issued by Reserve Bank of India, the Private Sector Banks have been allowed to do Government Business. Our Affiliates/Members are aware that, Government Business was hitherto exclusively reserved for the Public Sector Banks, which have been the key intermediaries in implementing all the Government sponsored schemes for eradication of poverty, generation of employment opportunities etc. at concessional rate of Government.

2. It is a known fact that the Private Sector Banks have not been taking up any of the Government sponsored lending programmes, including the ambitious financial inclusion programme.

3. This is clearly a covert effort of the Govt. of India to weaken the Public Sector Banks. Hence, we have raised our objection against the move of the Government/RBI and addressed a letter to the Hon'ble Union Finance Minister to retract from the move. A copy of the letter annexed is self-explicit.

4. We will keep you posted of the further developments.

With warm greetings,



(G.D.NADAF)  
GENERAL SECRETARY



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**No.1454/59/12**

**21.02.2012**

To,  
**Sri. Pranab Kumar Mukherjee,**  
Hon'ble Finance Minister,  
Government of India,  
South Block, Parliament House,  
**NEW DELHI.**

Respected Sir,

### **ALLOWING PRIVATE BANKS TO DO GOVERNMENT BUSINESS**

We invite your kind attention to the Circular dated 31<sup>st</sup> January, 2012 issued by Reserve Bank of India allowing Private Banks to do Government business, which was hitherto reserved exclusively for the Public Sector Banks, besides three new generation Private Sector Banks viz. ICICI Bank, HDFC Bank and Axis Bank.

**2.** The Circular issued by RBI is detrimental to the interests of the Public Sector Banks, which have been playing a key role in implementing government sponsored schemes, such as MGNREGS, Financial inclusion Agricultural Finance, Poverty Eradication and other

Employment Generation Programmes, at concessional rate of interest. The Public Sector Banks were patronized by the Govt. by making them to undertake 'Govt. Business', which was deemed as a tacit recognition of the massive efforts of the Public Sector Banks in implementing the Govt., sponsored schemes, which demand massive manpower and financial resources of the Banks. By undertaking 'Govt. Business', the Public Sector Banks were earning agency commission, which constituted substantial income for them. The Govt. has also acknowledged the immense contribution of the Public Sector Banks in the development of the country.

**3.** On the contrary, the Private Sector Banks, who never undertake any business or social obligations at concessional rate, are interested only in the commission they can earn on account of handling government business. Once the private sector Banks are allowed entry to handle govt. business, they with their aggressive marketing techniques as well as latest technological gadgets, will try to grab huge chunk of government business, value wise and amount wise which will put the Public Sector Banks in a disadvantageous position. The main aim of the Private Sector Banks will be to pocket the lion's share of agency commission, especially in the urban centres and metros, where they are operating. As against this, the Public Sector Banks who will be under pressure to handle the largest volume of government business will have to be content with a small fraction of the commission because of small value or amount per transaction at rural and semi-urban centers. This will put the Public Sector Banks in a totally disadvantageous situation.

**4.** It is a well-known fact that, the Private Sector Banks are having the sole motive of maximizing their profits, will resort to means, fair or foul to achieve their goal. If the Private sector Banks are permitted to handle the government business, there is the lurking fear of these Banks getting involved in dubious activities, divulge the information on the parties having business relations or deals with the government, and they may use the information for the benefit of their own corporate bosses. Ultimately, the decision of RBI in this direction will boost the revenue of the Private Sector Banks, which do not share any social responsibility at the cost of the Public Sector Banks.

**5.** In view of the foregoing facts, we have a strong feeling that, the decision of RBI to let the Private Sector Banks, undertake Government Business is in conformity with the Govt's. Policy of patronizing private capital and at the same time weakening and discrediting the Public Sector Banks, who have weathered all kinds of pressures and challenges in achieving the concerted growth of our economy.

**6.** Therefore, you may kindly observe that the Circular issued by Reserve Bank of India is fraught with potential dangers and detrimental to the interests of the Public Sector Banks and the people at large. We are against this move and urge upon you to intervene and seek withdrawal of the Circular issued by RBI, and continue to pass on the government business to Public Sector Banks, as hitherto.

Thanking you Sir,

Yours faithfully,



**(G.D.NADAF)**

**GENERAL SECRETARY**