



# ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration  
No.:3427/Delhi) State Bank of India Officers' Association 04<sup>th</sup> Floor,  
SBI Administrative Unit, No. 86, Rajaji Salai, Chennai- 600 001  
Phone: 044-25227170 Tel/Fax 044 25227170 E-Mail:  
aiboc.sectt@gmail.com

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## PRESS RELEASE

### AIBOC OPPOSES RBI ORDER ON DENA BANK TO STOP LENDING

All India Bank Officers' Confederation, the largest officers' organization having membership of around 3,50,000 officers questions the decision of RBI to restrict Dena Bank from fresh credit exposure and recruiting staff as part of restrictions imposed under RBI's Prompt Corrective Action (PCA). Last year, the RBI imposed PCA restrictions on Dena Bank among some other Banks for high NPA and negative return on assets. Half of the listed public sector banks have now been put under corrective action including Bank of India, United Bank of India, Corporation Bank, etc. Our confederation also opposed the imposition of PCA norms by the RBI and a press release was also issued detailing the future of these banks brought under PCA. Now, with the restriction put on Dena Bank, the impact of PCA norms has come to the limelight.

It is understandable that the primary reason behind putting a ban on Dena Bank's fresh exposure is the high nonperforming assets. However, we need to understand that most of the loans which have become NPAs are large advances, sanctioned at board level of the Banks consisting of RBI Representatives and members nominated by Government and the employees and officers of these banks had little to do in this regard. Further, the post of Officers' and Workmen's Director in the Banks' Board are also lying vacant for the last three years and the Govt seems to be in no mood to appoint them. Unfortunately, now, the burden of the NPAs is shifted on the banks and the staff has to suffer. And Secondly, public sector banks have major role in financing to priority sector and infrastructure projects unlike their private sector counterparts. Further, these sectors are under stress since last couple of years and it is high time the banks should introspect to find out the reasons for such debacle and address them. Moreover, it is very imperative on the part of the banks to finance these sectors for the overall growth of the economy. Hence, we condemn the RBI's decision to impose restriction on the sanction of loans. The basic function of any bank is to accept deposits for the purpose of lending. Now, in the name of PCA, the regulator is bringing in restriction on their basic function. Quite ironically, at one hand, the government is insisting on the turnaround of these banks and on the other it is bringing these banks within the ambit of PCA to impose restrictions. RBI has also insisted for avoiding new recruitments in Dena Bank now, which means the existing staff have to take the burden of the vacuum created by the continuous large scale retirements in these banks. Everyone knows that there is a growing concern that recruitments in public sector banks have come down year after year. It is also significant to note that these banks have to increase their retail loans in order to make good for the non-financing of large advances; and increase in retail loan require more man-power. Now, the new strategy of the RBI is again emphasizing to curb the recruitment in banks which will further aggravate the situation of man-power crisis in these banks

(banks brought under PCA) hampering the customer service. This is really worrisome as far as these banks are concerned. Our Confederation condemns this step on the part of the Govt and the RBI and demands for its immediate reversal.

It has also been in the news that after Dena Bank, the RBI is now planning to impose certain restrictions on some more public sector banks under the PCA mechanism. It's high time that the country raises its voice strongly against these vexatious steps of the Govt and RBI to handover the public sector banks to the private players. We urge on the government and the RBI not to proceed further with the imposition of PCA norms or else we will also be forced to move ahead with our organizational action.

Through this piece of communication, our confederation demands for the prompt implementation of the recommendations of the Parliamentary Standing Committee on NPAs of financial institutions. If that is implemented then the NPAs will come down automatically and there will be no need on the part of the RBI and the government to move ahead with all these plans ruining the Public Sector Banks.

We also demand a review of PCA which has not helped even one Bank.

We want a white paper on what happened to the Turn Around Plan and what action was taken on The Turn Around Plan submitted by AIBOC to each Bank.

We also demand a quick review of IBC & NCLT which are only helping defaulters and Corporates through hair cut and not the Banks.

We also demand implementation of the alternatives we have submitted through our Publication, Indian Banking - Current Challenges and Alternatives for future. We will be launching a United agitation in Dena Bank if the restrictions are not withdrawn. We condemn RBI for publishing arbitrary statements in the press. We also demand change in the Asset Classification norms immediately.



**(D. T. Franco)**  
**General Secretary**  
**9445000806**  
[ngcfranco@gmail.com](mailto:ngcfranco@gmail.com)