

# ALL INDIA BANK OFFICERS' CONFEDERATION

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

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## **TO ALL AFFILIATES/MEMBERS OF THE STATE UNITS**

Dear Comrades,

### **A UNIQUE INITIATIVE - AIBOC REPRESENTATIVES MEET THE GOVERNOR, RBI**



Our members are aware that AIBOC has already launched a "**Save Public Sector Campaign**" as a part of our relentless struggle for upholding the status of the Public Sector by all means. A new chapter was added in this struggle by a unique initiative taken by our Confederation, which is the first of its kind. The Officer Nominee Directors of seven Public Sector Banks, viz. Com. Harvinder Singh - Bank of India; Com. G.V. Manimaran - Canara Bank; Com. Dilip Saha - Punjab National Bank; Com. Harshavardhan M. - State Bank of Hyderabad; Com. Sanjay Manjrekar - Syndicate Bank; Com. Ekanath Baliga - Corporation Bank and Com. Deepak D. Samant - Indian Bank, representing the AIBOC fraternity met Mr. Raghuram Rajan, Governor, Reserve Bank of India, on 10<sup>th</sup> June, 2016 and had a long fruitful discussion. A detailed representation expressing our deep concern on the state of Indian Banking System in general and Public Sector Banks in particular highlighting the reasons attributable to the present grave situation of Banking Sector, various suggestions for redressing the issues with a request of his intervention, was submitted to him prior to the meeting to ensure quality time for discussion. The discussions lasted for more than fifty minutes covering various aspects that have been crippling the functioning of the PSBs, thereby, bringing undeserving disrepute and unwarranted criticism on them.

The Governor was accompanied by Shri N.S.Vishwanathan, Executive Director, Shri Vivek Chaturvedi, Executive Assistant to the Governor and Shri Sudarshan Sen, Chief General Manager. At the outset, the Governor welcomed the team of AIBOC Representatives and asked to initiate the discussions.

Initiating the discussions, AIBOC presented the following:

- The PSBs have done their best in the last more than five decades. With geographical spread of the branches across the country, their contribution to the economic growth of the country has been immense with implementation of the Governmental policies etc. Their contribution has been recognized and praised by several sections and remain unparalleled. But a few recent announcements and pronouncements have shown the PSBs in poor light, derided the morale of the employees and shaken the confidence of the public.
- The 2008 Raghuram Rajan Committee Report (A Hundred Small Steps) and the 2009 World Bank Report had appreciated the PSBs of India. The same reports had predicted the future of banking in India and the suggestions given therein are presently being implemented to the detriment of PSBs' efficiency despite the fact that PSBs still transact 70% of Indian banking.
- Merger of PSBs need not be pushed forward when PSBs are already grappling for survival in the aftermath of mounting NPAs, higher Provisioning and Asset Quality Review, which would only be adding to their woes.
- Consequent to the economic downturn in 2008, it was witnessed that the Indian Corporates had to rely upon the PSBs to fund their business activities as they could not generate financial assistance from abroad which they had been enjoying so far. Similarly, the infrastructure financing for road laying, power generation are supposed to be taken care by the Government through budgetary allocations, whereas, in the absence of such budgetary support, various projects set up by way of Public Private Partnership (PPP) model are supported through financing by Public Sector Banks. Thus it may be inferred that the lending to corporate sector and to infrastructure projects, which was the need of the country at that time for its economic development, were taken care by Public Sector Banks, especially after 2009 and is costing the banks very dearly today.
- The political and Government administrative machineries are exerting undue pressure on Branch Heads/ officers for achieving unrealistic targets set for extending various facilities including credits, under various Government schemes. The Branch Managers are being threatened with filing of FIRs etc. against them for non-compliance.
- The issue of interference and fear of CVC/ CBI in decision making process of Bank Management was discussed to stress the need to bring the PSB employees out of the clutches of CBI and CVC with a view to boost the confidence of bankers to carry out

the Banks' business. The staff accountability must be an exclusive zone of operation of the Banks' Managements.

In response, the Governor, RBI stated the following:

- a. PSBs have done well in the past; but today, NPAs have brought in some issues of difficulty. The Private Sector Banks burnt their fingers in 2007-08 and were at the receiving end then. Today, the PSBs are facing the similar situation.
- b. Going forward, we need more expertise in PSBs. Our assessment is that PSBs went into some areas of business without ability to assess viability due to lack of experience / expertise. We have to bring professional management in the Bank Boards
- c. Mergers are likely to bring in new set of issues. There is a strong view in Government that there must be a few strong banks. For this good banks with management capabilities must take control of weak banks and make the entire banking system operate well. **The Government intends that there should be a few large banks, few medium sized banks and few small banks.**
- d. **Let us first clean up the Banks' Balance Sheets and then think about the rest. State Bank and its group of subsidiaries have several commonalities. Hence the merger of SBI associates may not pose much difficulty whereas, there are several issues in respect of merger of other PSBs, which needs to be addressed and this may take some time.**
- e. Competition is going to increase manifold in the days to come. With the new generation Private Banks growing at a phenomenal rate, pressure will be on the PSBs to maintain their business. They would have to develop strategies to compete with the Private Banks.
- f. PSBs are facing another threat of crunch of manpower at middle levels due to the large size retirements. This coupled with lack of experience at the junior levels needs to be tackled. There is an urgent need to impart better training.
- g. PSBs must develop project evaluation skills. It is not advisable for the banks to depend on external agencies for project evaluation. Forensic Audit or feasibility study got done from them or at a later stage will not have desired results. It is truly surprising in our system that there is no fool-proof method of monitoring project implementation. Promoters are taking advantage of it by securing additional funding through the route of increasing projected capacities time and again. It must be made mandatory not to extend finance for expansion without commencement of the initial project operations.
- h. Thrust must be on for cleaning up on one side and call the borrowers for negotiation and force repayment on them. Growth in PSBs had been relatively very low. This

needs to be improved upon. The Government needs to pump in capital – in more quantity – for better growth. Growth must be healthy henceforth.

- i. Period after the tougher 2016-17 will be very reassuring. As we recover from the present problematic projects, PSBs will have better days ahead. It must be ensured that Market value of PSB shares keeps pace with the book-value.
- j. The RBI will certainly take up with the CVC, CBI functionaries in the presence of a few PSB chiefs to sort out the surveillance issues in the forthcoming meeting.

AIBOC requested the following actions on the part of the Controller to help improve the functioning of PSBs:

- I. Revisiting the (non - statutory) provisioning on CDR/SDR assets, teaser loans, Commercial Real Estate Loans, Priority and MSME Loans and Standard Assets.
- II. Prevailing upon the Government to appoint the Officer Directors in all PSBs (presently, only eight PSBs have Officer Nominee Directors representing officers as against nineteen).
- III. Prevailing upon the Government for rationalization of payment of Income Tax on provisions made on NPAs.

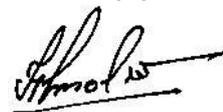
### **ISSUES OF DHANALAXMI BANK**

The undersigned handed over a separate Memorandum to the Governor highlighting the Corporate Governance concerns, Human Resource mismanagement and deteriorating financial position of Dhanlaxmi Bank, which has incurred loss for the last three consecutive fiscals. He also pointed out the genesis of the problem as Whistle blowing by the General Secretary of the Officers' Organisation of the Bank, harassment meted out to him and termination of his services by the Management. A specific demand was made to merge Dhanalaxmi Bank with some Public Sector Bank in order to protect the interests of the customers, investors as well as of the employees. While acknowledging the concerns of the AIBOC, the Governor promised to look into the issue.

At the end, the Governor appreciated the concerns raised by us and assured to address them appropriately. He reassured his commitment to take care of Public Sector Banks and protect their image.

With warm greetings,

Comradely yours,



(HARVINDER SINGH)  
**GENERAL SECRETARY**