ALL INDIA BANK OFFICERS' CONFEDERATION

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PRESS RELEASE

All India Bank Officers' Confederation, the largest officers' organization having membership of around 2,80,000 officers questions the statement of the Banks Board Bureau Chief Shri Vinod Rai where he has stated that the Govt. is keen on Bank consolidation and for that the merger may happen between two large Banks in our country. While speaking at the Credit Suisse Annual Investors Conference in Mumbai, Shri Rai told that the strength of the Balance Sheet is a hurdle as there are not too many large PSUs that can be merged and hence the Govt. can look to merge two large Banks.

Evidently, the merger that he has signalled is a forced merger by the government, which is pushing for consolidation in the public sector banking space. Even the Chief of the country's largest lender SBI Smt. Arundhati Bhattacharya earlier stated that the merger of associate banks was not a priority at the current juncture. It is absolutely true because the current challenges are far more important than a merger. It's a fight for survival for PSBs as the digital banking initiatives rolled out by the private banks and fintech companies are giving a tough fight to the government banks. In fact, the public sector banks are also pulling all the resources to face the current challenges where they have launched mobile wallet, digital branches, etc. From merger, there is not so much of gain in terms of size either. For instance, from the merger of the associate banks with the SBI, in terms of balance sheet there has not been so much of differences. Prior to merger, SBI already had a size where the difference between the SBI and the second player was as high as 12 Lakh Crore. To the contrary, merger of associate banks brings all sorts of challenges in terms of people, technology, product and branch integration, which takes many years.

History bears the testimony that merger has always reduced the number of branches which ultimately cuts down the number of employees and officers as well. After the merger of the associate banks with SBI, about 1,500 branches/ offices of State Bank of India and its five associates are supposed to be merged. In one hand, the government has come out with its plans of merger of banks and on the other, to widen the reach of the banking services in India and in order to achieve central government's goal of financial inclusion, the Reserve Bank of India has given approval to several entities to be set up as payment banks and small Banks. If payment banks and small Banks are given the approval to achieve the goal of the financial inclusion then a question remains to be answered as to why the bank branches are minimized by way of merger and amalgamation. Moreover, a payment bank can only undertake limited banking functions as per the Banking Regulation Act, 1949. They do not have the permission to lend loans to the needy then how would they meet the financial needs of the citizens. Now, let us have a look at some facts and figures as figures seldom paint a false story. The total number of bank branches in India is approximately 1,00,000 and the total population in India is 130 Crore. The number of banks per lac population is 230 times higher than that of India in Germany and other advanced countries of Europe and America. In fact, the number of banks per lakh persons in India is only 0.01 which is the lowest among BRIC nations. China has twice these numbers with the ratio of banks per lakh population being 0.02. The number of Russian banks is the most extensive among BRIC countries with ratio being 0.07 banks per lakh population. In USA, the figure stands at 2.1. In other way, data bears the testimony that the ratio of Indian Bank branches is 10.5 which is much lower than even Brazil where the ratio is 45.5. The advanced economy with the largest number of bank branches per lakh adult population is Italy (66), followed by France (41.3), Denmark (38.7) and the United States (35.2).

Clearly, the PSBs are passing through a difficult period with deteriorating asset quality and fast receding capital base. The banks need capital for absorbing many of the losses out of stressed assets. The govt. instead of infusing in capital to these banks is busy with all sorts of plans to merge the banks. The credit profiles of the Indian public sector banks will worsen if the Centre does not revise upwards its capital infusion plan for the banks. As the saying goes "Patience has its own limit": it's high time and we raise our voice very strongly against these vexatious steps of the Govt of India. We urge on the government and the Banks Board Bureau Chief not to proceed with these ill-motivated steps which will impact the health of the PSBs in our country; or else we will be left with no other option other than moving ahead with our organizational steps.

We also demand from the Govt and BBB Chairman, the implementation of the recommendations of the Parliamentary Standing Committee on Finance on NPAs. If that is done and NPA comes down there is no need for additional capital.

(D. T. Franco)
General Secretary