# ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No.3427/Delhi)
**6th Floor, E-Block, Samriddhi Bhavan, 1, Strand Road, Kolkata -700 001**
**c/o State Bank of India Officers' Association (Bengal Circle)**
**Phone: 2210-1234, Fax: (033) 2210-2210**

**e-mail: aiboc.sectt@gmail.com**
**soumyadatta.aiboc@gmail.com**
**website: www.aiboc.org**


**Circular No. 2018/67** **Date: 22.09.2018**

**To All Affiliates (Please Circulate)**

Dear Comrades,

**SAVE DENA BANK**

We reproduce the communication sent to all Director Members of the Board of Dena Bank vide our reference no. AIBOC/2018/74 dated 22.09.2018 on the captioned subject for circulation to all members.

With greetings,

(Soumya Datta)
General Secretary

**Text of Letter No. AIBOC/2018/74 dated 22.09.2018**

**LETTER No. AIBOC/2018/74** **Date: 22-09-2018**

The Board Members
Dena Bank

Dear Sir / Madam,

**Save Dena Bank**

Greetings from All India Bank Officers' Confederation (AIBOC), the apex organisation of Bank Officers' of over 3,20,000 members and whose affiliate is the recognized majority Association of Officers in **Dena Bank**.

We are sending this communiqué to you in the backdrop of the recent announcement made by the Union Finance Minister regarding the merger / amalgamation of Bank of Baroda, Vijaya Bank and Dena Bank. We feel that this move is a unilateral imposition from the Government which goes against the interests of majority of stakeholders of the banks.

AIBOC urges upon you as a respected Board Member of **Dena Bank** to take an objective view of the implications of such a decision thrust from above by the Finance Ministry on the bank's business operations, financial health, morale of the officers and employees and the confidence of the customers of the Bank.

Decision-making with regard to bank mergers is happening through the Alternate Mechanism constituted by the Union Cabinet. Does this Alternate Mechanism have the necessary authority or parliamentary mandate to take such decisions without prior consultation with the Bank Boards and seeking their concurrence? Or whether the Board members would have to surrender to the diktat of the Finance Ministry? This has serious ramifications for the functional autonomy of the Bank Boards.

We place before you the following points with regard to the Union Finance Ministry's proposal for merger/amalgamation of the three banks:

1. The most serious problem plaguing the banking system today is that of NPAs and the consequent losses being made by the public sector banks on account of loan loss provisioning. How does merger/amalgamation help in the recovery of NPAs? Amalgamation of balance sheets of the three

banks will only alter the NPA and capital adequacy ratios through financial engineering, without helping in the process of actual NPA recovery. This will only favour the willful and skilful corporate defaulters rather than restoring the financial health of the banks.

2. In a recent note to the parliamentary Estimates Committee on Bank NPAs, former RBI Governor Dr. Raghuram Rajan has termed bank mergers as a "non-solution" to the NPA problem. He has noted:

*"We need concentrated attention by a high level empowered and responsible group set up by government on cleaning up the banks. Otherwise the same non-solutions (bad bank, management teams to take over stressed assets, bank mergers, new infrastructure lending institution) keep coming up and nothing really moves. Public sector banks are losing market share as non-bank finance companies, the private sector banks, and some of the newly licensed banks are expanding."*

Why is the Union Government going against such sane advice, which emphasises on NPA recovery, and instead proceeding with the merger of the three Public Sector Banks? Is this part of an election agenda for the parliamentary elections due next year?

3. The Insolvency and Bankruptcy Code (IBC) process initiated by the Government has not yielded the desired results. As per the information disclosed by the Ministry of Corporate Affairs, out of the 26 cases that have been referred to National Company Law Tribunals (NCLTs), only 2 cases have been settled till date, leading to haircuts of around Rs. 28000 crore for the banks. The legal regime has been tilted towards the corporate defaulters, while the interests of the Public Sector Banks are being subverted. NPA recovery through other channels like the ARCs has also failed, and emphasis has been laid on NPA write-offs, which have led to burgeoning losses for the banks. What is required is an overhaul of the NPA recovery regime, which makes it more effective, speedy and transparent. Exemplary penal action must be initiated against the willful defaulters and fraudsters in order to send a clear message. Unfortunately, the political will required to adopt this course appears to be absent in the Union Government.

4. The Government's notion that we have too many public sector banks in the country whose numbers need to be brought down through mergers/amalgamations, is a prejudiced idea which does not have any basis in economic theory or empirical evidence. Bank branch penetration continues to remain low in India compared to our developing country peers, which warrants an expansion of bank branches and activities. Mergers/amalgamations on the other hand would cause greater concentration in banking, which will curb domestic competition and lead to reduction in bank branches. Moreover, given the much larger contagion effect of the failure of big banks on the financial system as a whole, concentration of banking can enhance financial fragility. On one hand Government is promoting the idea of small payment banks and here the logic of big is beautiful is extended. What actually our country needs is already there in our industry, the perfectly designed different sized public sector Banks which caters the best services to the people of our country and implementing all the government schemes to help the population. The prime objective of Public Sector Banks should be the service to people and not the profitability which is truly reflected in Dena Bank's working.

5. The claim that mergers/amalgamation always work to the advantage of all the parties and lead to synergies and greater efficiency due to economies of scale is not borne out by evidence. Most mergers across the world have not turned out to be successful. In India, the recent experience of the merger of the SBI subsidiaries with the parent SBI has also not been healthy, which can be seen in the deteriorating financials of the SBI in the last financial year. The proposed merger of the Bank of Baroda, Vijaya Bank and Dena Bank will have added complications since these banks have no history of shared business platforms. The argument that all three Banks runs on Finacle does not address the broader issues.

6. The organisational disruption caused in these banks through the merger/amalgamation would relegate every other activity to the backstage. Banks involved will have to do fire-fighting for the next few years, adversely affecting other banking activities in order to integrate people, processes, technological platforms and procedures. The outcome may well be higher losses on account of provisioning and NPA accumulation, which will outweigh any efficiency gain that is being projected. The SBI balance sheet reflects the disastrous result of forced mergers. The total NPA of the combined entity shot up by Rs.48000/- Crore as on 31st March 2018 in just one year from what it was on the date of merger (01st April 2017)). Moreover, cost cutting measures through staff and branch rationalization will be severely detrimental to the interests of the employees and customers and will vitiate the industry climate. We feel that this move to merge the three entities is a retrograde step, which will open up

spaces for the payment Banks and fin-tech companies to move in. These entities are waiting in the wings as they cannot break the trust that the common man reposes on PSU Banks

The luminaries who have occupied your position in the Bank Board in the previous period had collectively carried forward the vision underlying bank Nationalisation, which had a transformational impact on the banking sector. We request you to consider whether the proposed merger/amalgamation of the three public sector banks is in sync with that vision? Will you endorse the draconian decision of the process of reverse Nationalisation?

Above all, Devkaran Nanjee Banking Company Ltd, which later became Dena Bank has a glorious history of serving the Nation for 80 years. In Gujarat, Dena Bank is convener of the State Level Bankers Committee. Dena Bank is leading in State and monitoring the proper distribution of Banking Credit for the benefit of state economy in very balanced and disciplined way. And that is the reason Central Government had awarded the Gujarat SLBC as the best performing SLBC at Delhi in June 2018 for the year 2017-18. Dena Bank is also awarded for best performance in APY for the same period. In Banking industry Dena Bank has been first to introduce Minor Savings Scheme, first Drive in ATM, Dena Kisan Shakh Patra, which now known as DKCC etc. If this merger is allowed to go through, the strong loyal customer base which is emotionally attached to Dena Bank in all likelihood would be pushed to a corner on account of the branch / staff rationalization and are likely to sever their relationship built over years. The Branch rationalization policy in banking industry to maintain minimum distance of 2/3 km between two branches will compel to close down a large number of branches and administrative offices. Statistical analysis may favour these numbers representing it towards cost cutting and profit margin improvement but what will be the real effect? To absorb the closure of more than 1000 branches and administrative offices management will offer VRS which will be a major source of drain of experienced workforce, which the industry is already in shortage of. The resultant displacement of remaining workforce will generate discomfort to the young workforce who have no opportunity/option to shift to any other job will finally result in an unrest and unhealthy work atmosphere.

All India Bank Officers' Conferedation (AIBOC), has been intrinsically associated with the progress of the member institutions. We have provided the Bank Managements turn around plans to come out of PCA imposed by RBI, which were highly appreciated. In fact, the undersigned had personally met Shri Ramesh Singh, ED and the then working Chairman on 21st August, 2018 to submit yet another revised and well-structured Turn Around plan for the Bank.

We believe that the Bank Managements, Associations and Unions have the inherent and collective strength to revive the Public Sector Banks and restore their financial health. Association and Union are major stakeholders, who are deeply concerned about the health of their mother like institution. Collectively we work in tandem with the Management to ensure the success of the revival based business strategy. The inherent strength of public sector banks is most powerful, which was once again proved during the 'international melt down' in 2008-09. Even though the apostles of this retrograde move might argue that these Banks are going to remain in the Public Sector even after this merger, one cannot be faulted for thinking that this move is part of 'right sizing' of the Public Sector Banks for an ultimate handover to a corporate on a later date. More over this move undermines the importance and the very existence of Dena Bank and also the way your Bank was catering to different niche segments in different regions. As is clear from past experiences with the mergers, it would only pave the way for New Generation Private Players to come in and occupy the vacuum created out of the mandatory branch rationalization. The need of the hour is a favorable policy thrust from the Union Government in adequately recapitalizing the PSBs and improving the legal system to facilitate NPA recovery. We seek your support for this alternative vision and urge upon you to negate the proposed merger of the Bank of Baroda, Vijaya Bank and Dena Bank.

Please express what your conscience tells you to and not merely surrender to the diktat of the powers that be.

We urge upon your good office to save **Dena Bank** and its identity.

With regards,

Yours sincerely,

**(Soumya Datta)**
**General Secretary**