ALL INDIA BANK OFFICERS' CONFEDERATION

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Date: 04.01.2018

PRESS RELEASE

AIBOC OPPOSES PROMPT CORRECTIVE ACTION BY RBI IN PSBs

All India Bank Officers' Confederation, the largest officers' organization having membership of around 3,20,000 officers questions the imposition of the norms of prompt corrective action (PCA) by the Reserve Bank of India on a few public sector banks, the Allahabad Bank being the latest one. As we understand that PCA norms allow the RBI to place certain restrictions like halting branch expansion, limiting the Bank's lending limit to a particular entity or sector, stopping dividend payment, restructuring operations, superseding the Bank's Board among others.

Most recently, the RBI has put Allahabad Bank under prompt corrective action framework post an on-site inspection of NPAs and negative return of assets for the fiscal 2016-17. The RBI has revealed high net NPAs and negative Return on Assets for two consecutive years. The RBI has already initiated similar action against other public sector banks such as IDBI Bank, Indian Overseas Bank, Central Bank of India, Bank of Maharashtra, Dena Bank, United bank of India, Corporation Bank, Oriental Bank of Commerce, Bank of India and UCO Bank earlier. Earlier in April last year, RBI had issued a new set of enabling provisions under the revised PCA framework with a clause that if the banks do not show improvement then these could be either merged or taken over by other bank. Hence, this is not exaggeration of fact to say that invoking of PCA is nothing but an initiative towards the privatization or merger of public sector banks. IDBI Bank was the first to be put under PCA in May 2017 and we have seen no improvement in the overall performance of IDBI Bank since then and it substantiates the fact that the same will be the outcome of all other banks brought under the PCA subsequently.

Now, let us have a look at the nine pronged strategies that RBI has advised to these banks under PCA in order to improve the condition of such stressed banks:

- Implementing time bound programme for recovery of NPAs.
- Strengthening monitoring system so that no more accounts slip to NPAs.
- Strengthening credit appraisal system and follow laid down norms while sanctioning new loans.
- Avoiding sanctioning of risky and large advances.
- Avoiding high cost deposits.
- Increasing productivity of staff and avoiding new recruitments.
- Avoiding unwarranted expenses.
- Avoiding opening of new branches/offices etc.
- Taking penal action against irresponsible officers.

The Banks which have been placed under restrictions by the RBI to improve their financials have already started feeling the heat, as their deposit growth have fallen below the industry average, indicating that wary customers are shunning such banks and deposit of these six banks fell from March 17 to June 17 and again in September 2017 after RBI had imposed PCR on them. IDBI Bank's deposits fell 9.4 per cent while that of Dena Bank by 6.3 per cent and UCO Bank's deposits fell 3 per cent in the quarter ending June 2017 over March 2017. But, it is not the customer alone which gave a panic reaction. The Zonal Manager of one of the banks proposed to suspend the salary of staff of 11 loss making branches.

It is also pertinent to note that most of the loans which have become NPAs are large advances, sanctioned at board level 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 strategy of avoiding sanctioning of loans on the pretext of risky and large advances and avoiding accepting deposits from the public. 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 for the banks to perform their basic function. Quite ironically, at one hand, the government is insisting on the turnaround of these banks and on the others it is bringing these banks within the ambit of PCA to impose restrictions. RBI has also insisted for avoiding new recruitments which means the existing staff has 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 the 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 loan in order to make good for the non-financing of large advances; and increase in retail loan require more man-power to be recruited. 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 hampering the customer service and all. 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.

As we have already stated that large advances, which are NPAs today, were sanctioned at board level and the members were also nominated by Government, hence the regulator's strategy of taking penal action against the officers of these Banks does not justify at all. The government and the RBI are also very much aware of the ground reality. It is disgraceful on the part of the government that being the majority shareholder in these banks, the Central Government is running away from its own responsibilities. One of the recommendations of the Parliamentary Standing Committee was to convert loans given to Steel, Power, Telecom and Infrastructure should be transferred to Industrial Finance Corporation which was created as a development bank to cater to the long term finances; but the recommendation is yet to be implemented. Again, Reliance defense, which was an NPA has been converted into a long time finance with 20 years repayment period so that it could not be declared as NPA; whereas the same is not done in other eligible NPAs. All the corporate defaulters are not willful and since norms are there, the same facility in line with Reliance Defense, should be extended to others as well. Further, the Parliamentary Standing Committee also made it clear that some of the companies could not do well because of the stagnation in the economy and it bears the testimony that all are not willful defaulters. It's high time that the government owns the responsibility for the plight of the NPAs in these Banks instead of remaining a silent onlooker on these autocratic measures of the Reserve Bank of India. Instead of looking at the miserable plight of the NPA position of these banks, the government would do better by bringing in a specific and stringent law which empowers the Banks to initiate legal action against the willful defaulters.

The public sector banks are passing through a difficult period with deteriorating asset quality and fast receding capital base. Under the given situation, the government should try out all means to strengthen these banks; to the contrary the RBI and the Govt. are busy with all sorts of ill-motivated plans to kill these banks. It's high time that the country raises its voice strongly against these vexatious steps of the govt of India 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 its plan of moving forward with PCA or else we will also be forced to move ahead with our organizational action.

We further demand from the Govt for the prompt 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 all these steps ruining the banks and causing inconvenience to the countrymen.

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