

ALL INDIA BANK OFFICERS' CONFEDERATION

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

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To All Affiliates (Please circulate)

Dear Comrade,

AIBOC OPPOSES CABINET DECISION ON MEGA CONSOLIDATION OF TEN PUBLIC SECTOR BANKS INTO FOUR

We have issued a press release today on the captioned subject, text of which is appended. We request all our affiliates and state units to circulate it amongst their connections in print and electronic media for its wide circulation.

With greetings,

(Soumya Datta)
General Secretary

Text of the Press Release dated 05.03.2020

PRESS RELEASE

AIBOC OPPOSES CABINET DECISION ON MEGA CONSOLIDATION OF TEN PUBLIC SECTOR BANKS INTO FOUR

All India Bank Officers' Confederation (AIBOC), the largest supervisory cadre trade union in the banking industry of the country, strongly condemns the decision taken yesterday by the Union Cabinet on mega consolidation of ten PSBs into four which are as below:

- Amalgamation of Oriental Bank of Commerce and United Bank of India into Punjab National Bank
- Amalgamation of Syndicate Bank into Canara Bank
- Amalgamation of Andhra Bank and Corporation Bank into Union Bank of India
- Amalgamation of Allahabad Bank into Indian Bank

The Cabinet has proceeded with the decision despite the all-round opposition to this ill-conceived move from the bank officers, employees and other stakeholders who went on agitation from the day of announcement.

The Finance Ministry notification issued yesterday makes it clear that the amalgamation will obliterate Allahabad Bank (established on 24.04.1865), Corporation Bank (established on 12.03.1906), Andhra Bank (established on 20.11.1923), Syndicate Bank (established on 20.10.1925), Oriental Bank of Commerce (established on 19.02.1943) and United Bank of India (established on 12.10.1950), all of which were in existence for a better part of the last century. Out of those, Allahabad Bank has celebrated its sesquicentennial, while Corporation Bank has observed its centenary - both a few years back. With this, the culture, existence and the loyalty of the customers of these six great historically enriched institutions are also getting obliterated. It is observed that many of these PSBs are among the best performing ones, in many standard financial parameters.

It is noteworthy that as in case of the last three way merger of Vijaya Bank and Dena Bank with Bank of Baroda, mega consolidation of the public sector banks endorsed by the Cabinet has remained totally silent on the menace of the Indian Banking sector, namely, Non Performing i.e. stressed assets of the acquirer and the acquiree banks. The unfortunate approval accorded by the cabinet does not even indicate any roadmap on recovering the huge volume of stressed assets of these banks. Rather, the Cabinet has relied on the imaginary “synergy” and “cost benefits” arising out of “greater scale” of these amalgamated entities. Merging the banks brings in more trouble as the organization becomes too huge to pay attention to existing ailments, primarily on account of accumulation of huge NPAs and larger provisioning requirement in the days to come. It is empirically observed that mergers and acquisitions of banks have never been a success story in any of the developed / developing countries.

Though the cabinet approval speaks about “boost the goal of financial inclusion through wider reach” and financial inclusion can become a reality only when branches are spread in every nook and corner of the country. The cabinet has carefully bypassed the issue of the reduction in the number of bank branches in the name of rationalization, while taking the decision of mega merger.

It is observed with deep concern that though our peasantry is facing a situation of non-availability of low cost loans at the time of need and thereby getting burdened with high cost debt even after 72 years of Independence, the much propagated amalgamation / consolidation of PSBs being advocated by the government does not apparently empower the lenders to provide adequate credit to the agrarian sector and allied activities and rather stresses upon “larger ticket-size lending”, which will once again pave the way for free flow of unmonitored credit to the defaulter corporates.

The PIB notification dated 2nd January, 2019 on cabinet approval of Bank of Baroda Merger had certain key points which included the treatment of permanent and regular officers and employees of the transferee banks and it *inter alia*, assured protecting the interests of all such officers and employees. Surprisingly the present notification on today’s cabinet decision, does not utter a single word on HR issues. More interestingly, the approval remains silent over the schemes of amalgamation.

AIBOC has been vocal that mergers/amalgamations of PSBs will only worsen the situation in the banking sector, which is already under stress. Neither the merger of Associate Banks with SBI nor the amalgamation of Vijaya and Dena with Bank of Baroda brought any positive impact, in terms of overall business, operational efficiency and profitability. In fact, complaints about the quality of service and the flight of business have become rampant. The proposed consolidation of ten banks into four will also lead to similar deterioration and disruptions. The banks concerned will have to do fire-fighting for the next few years, in order to integrate people, processes and procedures, eventually relegating every other banking activity to the backstage. This is likely to disturb the country’s economy, which is already facing the situation of a very low growth rate, to a great extent.

It may be recalled that in the process, the government has bypassed all the time-tested mechanisms such as flow of decision from the bank’s boards and examination of the same by the Alternative Mechanism of the Union Cabinet devised by itself for fast tracking the merger / amalgamation of PSBs. In fact, autonomy of the Boards of Banks have already been mocked at, by forcing the decisions of the government on the bank management, when the posts of Workmen/Officers’ Directors have been lying vacant for considerably long period so as to preempt any kind of opposition/dissent. The fact that the stake holders were not taken into consideration stands to prove that the government does not believe in principles and legal provisions of participative management.

AIBOC strongly believes that consolidation of public sector banks is not a panacea. While new licenses are being issued to payment/small banks, Micro Finance institutions are being converted as Universal Banks, PSBs which have served the nation for over decades / centuries are being merged, despite the views of the eminent economists in favor of multiple large and medium size banks instead of a few extra large ones. This is also leading to a belief that the Government is eventually moving towards private sector banking, by abolishing PSBs.

In this backdrop, AIBOC requests, implores and calls upon all, irrespective of political, organizational, social, and economic affiliation to come together to oppose this Mega Consolidation move, which is inimical for the national economy. Let the protest against this unilateral and retrograde decision of the Union Cabinet be raised everywhere – in the street, in both the lower and upper houses of the parliament, by every state government, by all stakeholders, by all eminent personalities, and all sections of the society.

Public Sector Banks have done yeomen service to citizenry for a long time. It is our duty and responsibility to protect them at all costs.

Sd/-
(Soumya Datta)
General Secretary