ALL INDIA BANK OFFICERS' CONFEDERATION

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To All Affiliates (Please Circulate)

Bank Nationalisation Day
Amidst COVID-19 Pandemic

19th July 1969 is a historical and transforming day in the economic history of our country. During late evening of this day, the Government of India, through promulgation of the historic Banking Companies (Acquisition & Transfer of Undertakings) Ordinance, 1969, nationalised 14 large sized commercial banks, which till that time were in private sector space. With this and background of formation of State Bank of India in 1955 by way of reconstitution of the Imperial Bank of India, more than 80 per cent of banking assets was converted into state owned ones. Later, on 15th April 1980, 6 more private banks were also nationalised.

Bank nationalisation was an epoch-making and 'defining economic event' in the country. In the Volume 3 of the History of 'The Reserve Bank of India', it has been aptly stated that this remains "the single most important economic decision taken by any government since 1947". The RBI History further delineates: "Not even the reforms of 1991 are comparable in their consequences - political, social and of course, economic." In the prelude to bank nationalisation during 1969, India witnessed two consecutive drought seasons, private banks practising 'class banking' and extending loans only to top industrialists with total apathy and unwillingness to diversify their loan portfolios across different scales of operation of economic units, for instance, with a static two per cent credit share to agricultural sector which remained unchanged for a period of over one and a half decades since 1951 till 1967, peasantry surrendering before vagaries of nature and village 'mahajans' (moneylenders) extending loans at exorbitantly high rates of interest, nose-diving of foreign exchange reserve during 1964-65, negative GDP growth rate during 1965-66 and 1966-67, devaluation of Rupee against the Greenback, spiraling double digit inflationary rate and so on. The decision of the government was prompted by combination of all these disquieting factors.

This colossal measure initiated by the government went a long way in subverting the scenario of directors of the top Indian banks holding directorships in several other industries and exhibiting an utter disregard to the needs of systemically important sectors as agriculture, small-scale industries and common mass. The advent of the public sector banks (PSBs) as game changers of the economy brought about significant increase in number of bank branches in unbanked / underbanked areas, year to year growth in credit flow to priority sector, achieving economic self-reliance particularly in production of food-grains, liberation of the poorer masses from the clutches of moneylenders and huge socio-economic reforms ensuring equity and justice, thereby fulfilling the principles enshrined in the Constitution.

The PSBs have ushered in a huge transformation in approach of Indian banks and caused a paradigm shift from 'class banking' to 'mass banking', thereby contributing in a big way towards nation building by financing major economic activities of the country, particularly in the industrial, services and infrastructure sectors. It was because of the dominance of the PSBs in the Indian banking sector that the Indian economy could shield itself from the global economic meltdown in 2007-08, though global giants like fell.

Out of the total 39.82 crore number of accounts opened under the Jan Dhan Yojna till 08th July, 2020 (with deposits of Rs.1,31,576.08 crore), 31.60 crore accounts were opened in the PSBs (with a total deposits of Rs.1,01,916.67 crore) and 6.96 crore were opened in the RRBs (with garnered deposits of Rs.25,640.91 crore), which are sponsored by the PSBs. This shows the level of conviction and commitment on the part of the public sector bankers, which is a strong vindication of the decision of bank nationalisation pursued by the Central Government five decades ago.

Bank Nationalisation Day on July 19 this year comes amidst the continuing twin crises of the Covid-19 pandemic and lockdown induced recession in the global economy. Even before the onset of the pandemic and economic crisis, the Indian economy was witnessing a massive slowdown, with annual GDP growth rate declining from 6.1% in 2018-19 to 4.2% in 2019-20. The banking sector in India has also faced a slowdown with credit growth declining from 13.3% in 2018-19 to a five-decade low of 6.1% in 2019-20. Bank deposit growth has also declined from 10% in 2018-19 to 7.9% as at 31st March, 2020.

Meanwhile, the policies pursued by the Central government have weakened the PSBs over the past decade. The successive Mega Mergers under Narendra Modi government have reduced the number of PSBs from 21 in 2017 to 12 in 2020.

Comrades, despite the contribution of the Public Sector Banks to the Nation, it is unfortunate that Government continues with its neoliberal policies, which seeks to weaken and eventually privatise the PSBs. Mergers and Amalgamations are being contemplated in the garb of 'economies of scale', 'too many players', 'creation of world class banks' etc.

The number of PSB branches and employees are on a decline even when the PSBs are losing market share to the new generation private banks. For instance, as per the Annual Report of SBI, between March, 2018 and March, 2020, the number of bank branches declined by **273** and staff strength declined by **14593**.

The deposit and credit growth of the PSBs have fallen sharply in the last few years both as a result of macro-economic factors as well as the policy direction of the government. The market share of new generation private banks is increasing rapidly. Between March 2015 and March 2019, a total of Rs.6.4 lakh crore worth of NPAs pertaining to the SCBs were written off, out of which over Rs.5 lakh crore were PSB NPAs. Though the PSBs have registered healthy operating profits, on account of unreasonable provisioning norms and massive haircuts forced upon by the implementation of the Insolvency & Bankruptcy Code, they have been incurring enormous net losses. The large corporates of our country have exploited the PSBs in a big way. As per the latest Financial Stability Report of the RBI, large borrowers (above Rs. 5 crore loan accounts) are responsible for over 85% of the NPAs of the scheduled commercial banks. Provisioning for these NPAs is the main reason behind posting of huge net losses by the PSBs. Varieties of restructuring schemes of RBI, which have subsequently been withdrawn by RBI during February 2018, failed to revive distressed accounts and catalysed loan evergreening by the banks, as observed by RBI only in its Asset Quality Review (AQR). Large portions of these restructured advances are also likely to become NPAs. On the other hand, the NPA resolution process through the NCLTs is totally non-transparent and the PSBs are being asked to absorb the major part of the NPAs through haircuts / provisioning rather than recovering NPAs from the corporate defaulters. In the first two years of its operations between 2017 and 2019, the NCLTs under the IBC could resolve only 1,839 NPA cases involving Rs.1.76 lakh crore leading to a recovery of Rs.75,745 crore, which works out to a recovery rate of only around 43%, thereby causing an overall 57% haircut for the banks.

While the Union Government has infused over Rs.3 lakh crore as capital into the PSBs between 2015-16 and 2019-20, capital base of the PSBs has witnessed simultaneous erosion due to higher NPA provisioning and write-offs. This is precisely the reason as to why the capital position of the PSBs has not witnessed any significant improvement.

Moreover, PSB funds are being misused by the Central government to bail out failed private sector banks like Yes Bank Limited. The autonomy of the PSB Boards are being trampled upon by the Union Finance Ministry and the RBI, as seen in the cases of the Mega Mergers as well as the so-called ‘reconstruction plan’ of Yes Bank. Big corporates are being wrongfully benefitted by the government misusing the PSBs, while the small farmers, MSMEs, SHGs and ordinary customers are being neglected.

On the top of all, the response of the government to the COVID-19 pandemic and economic crisis has also been inadequate. While Hon’ble Prime Minister has claimed that the so-called "Atmanirbhar Package" provided a "stimulus" of Rs.20 lakh crore or 10% of GDP, in reality the actual government spending is around Rs.2 to 3 lakh crore only, amounting to less than 1.5% of GDP. Most of the package comprises of liquidity infusion through RBI and the banks, which will not be much useful in the backdrop of declining credit demand. The government has refused to make substantial cash transfers to the poor, unorganised sector workers which AIBOC had specifically demanded.

The most disturbing element of the Government's policies announced under the ‘Atmanirbhar Package’ is the emphasis on privatisation of PSEs. Not only that coal blocks and trains are being handed over to the private players, the Finance Minister has of late announced a new policy whereby:

• "*List of strategic sectors requiring presence of PSEs in public interest will be notified*
• *In strategic sectors, at least one enterprise will remain in the public sector but private sector will also be allowed*
• *In other sectors, PSEs will be privatized (timing to be based on feasibility etc.)*
• *To minimise wasteful administrative costs, number of enterprises in strategic sectors will ordinarily be only one to four; others will be privatised/ merged/ brought under holding companies."*

The critical situation arising out of the COVID-19 Pandemic and the ‘National Lockdown’ since 24th March 2020 to 31st May, 2020 and several state / district wise lockdowns announced by various State Governments / District Administrative Authorities has also thrown up huge challenges to the PSBs. However, despite humongous workload on bank employees everywhere for carrying out ‘essential financial services’, disbursing of Direct Benefit Transfer (DBT) under the ‘Coronavirus Relief Package’ announced by Hon’ble Finance Minister, reviving long inoperative Jan Dhan accounts, added responsibilities of managing the surging crowd at bank branches, bank officers and employees stood like ‘Rock of Gibraltar’ with high risk of exposing themselves and their families to the deadly virus. Many bankers have been affected with the disease and some of them succumbed to it.

Confederation has been alive to the situation. The misadventures of the Government including the draconian FRDI Bill have always been opposed and resisted. Attempts of attack have been faced successfully. The present circumstances do not permit us to organise, holding rallies, symposia, workshops, meetings, congregations etc. to observe the Bank Nationalisation Day befittingly. Notwithstanding the same, we call upon all our Affiliates, State and District Units to take up all possible social causes, and to demonstrate that we care for the society and well being of the entire working class and their families and also that AIBOC is determined to ensure that our national treasure in the form of public sector banks remain safe and secure and continue to play the role of extending helping hands to millions of our customers who have put their life time savings in the PSBs and depend on the PSBs for running their honest and sincere economic activities.

AIBOC also wants to place these facts before the Union Finance Ministry and the RBI in order to expose the truth that a massive corporate bailout programme has been implemented by the present government under the cover of PSB recapitalisation.

On this significant and historic occasion of the Bank Nationalisation Day, AIBOC urges upon the Central government to immediately halt these corporate bailouts and review its policies on recovery and write-offs of stressed assets.

#SavePSUSaveIndia

With vibrant greetings

Yours Comradely

(Soumya Datta)
General Secretary