// STATE BANK OF INDIA OFFICERS' ASSOCIATION
(BENGAL CIRCLE)
(Registered under Trade Unions Act 1926-Regd. No. 6908)
1, STRAND ROAD, KOLKATA-700 001.
Phone: 2213-0663, 2213-0154, 2213-0665 (after 5.30 P.M.), Fax : (033) 2210-1684
e-mail: sbioabengalcircle@gmail.com
www.sbioabengal.com
IP No. 500077

STATE BANK OF INDIA OFFICERS' ASSOCIATION

Circular No. 135/2018 Date : 06.10.2018

To All Members (Please Circulate)

We reproduce hereunder the Circular No. 112 dated 06.10.2018 issued by the General Secretary, All India State Bank Officers' Federation, the contents of which are self-explicit.

With revolutionary greetings,

Soumya Datta
(General Secretary)

To all our Affiliates / Members:

AN APPEAL TO HON'BLE MEMBERS OF PARLIAMENT TO OPPOSE THE ILL CONCEIVED AMALGAMATION OF PSBS

We reproduce hereunder the text of AIBOC Circular No.72 dated 5th October, 2018 contents of which are self-explicit.

(RAMKUMAR SABAPATHY)
GENERAL SECRETARY

TEXT

QUOTE:

Dear Comrades,

An Appeal to Hon'ble Members of Parliament to oppose the ill conceived amalgamation of PSBs

We reproduce our letter no. AIBOC/2018/76 dated 05.10.2018 on the captioned subject, which has been sent to all Members of both houses of Parliament.

We request all our affiliates/State Secretaries to personally meet with as many members of Parliament as possible and hand over a copy of the letter and solicit their support.

With greetings,

Yours sincerely,

(Soumya Datta)
General Secretary

Text of letter reference No. AIBOC/2018/76 dated 05.10.2018

Shri/Smt/Ms…………
Hon'ble Member of Parliament

Greetings from All India Bank Officers' Confederation (AIBOC), the apex Trade Union of officers' working in various Banks of the country having membership of more than 3,20,000.

You are well aware that the Finance Minister has announced arbitrarily on 17th September 2018 a proposal for merger of three Public Sector Banks viz. Bank of Baroda, Dena Bank and Vijaya Bank grossly bypassing the Parliament, the RBI, Expert Committee, the respective Bank's Board and other stakeholders. The talk of the merger is thicker in the air now than never before and the government is trying to complete the agenda of 'Reverse Nationalisation' before the ensuing General Election in 2019 at the cost of the common man, customers, employees and landing the country's economy in further jeopardy.

2. At this crucial juncture, we, intend to present before the Hon'ble Members of Parliament in the following lines the perils of the proposed merger of the Public Sector Banks, its impact on the banks, the economy and the citizenry for your kind perusal with an earnest request to you as the country's Law Maker, to stall the move ab initio. AIBOC, along with other banking fraternity, believe that merger is not a panacea for the prevailing problems. On the contrary, it would certainly aggravate the situation. It is pertinent to note here for better clarity that NPA (%) has reached a whopping 24.9% (Rs. 16361 crore) in respect of Dena Bank, while it is 13.2% (Rs 56480 crore) and 6.5% (Rs 7526 crore) for Bank of Baroda and Vijaya Bank respectively as at 31st March 2018.

a) Merger brings all sorts of challenges in terms of people, technology, product, branch integration which takes many years to resolve those issues and containing NPAs and recovery from the big corporate houses for the very survival of these banks will be pushed to back seat as the entire management would be bogged down intensively on resolving the merger pangs. Merger will itself result in immediate job losses on account of large number of people taking VRS on one side and slow down or stoppage of further recruitment on the other as huge number of employees will be rendered surplus with closure of umpteen number of branches, administrative offices, Local Head offices, corporate centre, ATMs, processing centres, different cells of the merged banks. Also it is quite true that different banks possess different culture, systems, procedures and merger will lead to clash of organizational cultures. This may lead to discontentment among staff and unhealthy working environment which will affect efficiency of workers. The worst affected would be the farmers, workers, artisans, women, small traders, SHGs, students and the common man as the mergers would lead to closure of hundreds of branches and which would affect the flow of credit especially into the rural areas.

b) We submit that the government is really missing out addressing the core issues and going around the periphery to address the problem. Merging banks will serve little purpose if we have fewer structures with the same blemishes. The Union government is pushing through merger of PSBs with an apparent misplaced notion that fewer stronger banks will be "Too Big to Fail". The fall of Lehman Brothers, the fourth largest Bank of United States, proved the above notion completely wrong. Small banks are the creators of jobs and wealth. In fact, in today's world of banking, it is the small that is beautiful because they have their feet firmly planted in the ground and are thereby robust on their own terms.

c) In a recent note to the Parliamentary Estimate Committee on Bank NPAs, former RBI Governor had termed bank merger as a "non-solution" to the present stressed assets crisis of the banks. 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-solution (bad bank management teams to take over stressed assets, bank mergers, new infrastructures, lending institution) keeps coming up and nothing really moves. Public sector banks and some of the newly licensed banks are expanding."

d) As per Section 9 (2)(C) of the Banking Companies Acquisition & Transfer of Undertaking Act 1970 with amendment in 1980, views of RBI is mandatory in respect of merger. Government never disclosed the views of RBI to public at large. Hence, the decision of Alternative Mechanism Committee is in total violation of the above section. Views of the Employee/Officer Director which is obligatory whenever there is proposal for amalgamation of banks in terms of the provisions of the said Act is not available as the Government is yet to appoint Employee/Officer Director in the respective bank's Board to smoothen its arbitrary, forced merger. **Moreover, as per Section 9(6) of the said Act, any scheme meant for amalgamation of one/two banks with any other bank has to be laid before each house of Parliament while it is in session for a total period of 30 days.** The statutory provisions stand vitiated in the process adopted.

e) Merging PSBs may be myopic in nature when alternatives exist to strengthen them. Decentralization has been the buzzword when we talk of the rest of banking or even geographic demarcation of our states as they work better. Weak bank can walk the road of narrow banking until such time their books are clean which is preferable to doing things in a hurry as it sounds neat today. For sure, we should delve deeper and introspect.

f) The whole idea of multiplying the system with small and payment banks appears to be against the ethos of creating such big structures; we need to ask ourselves as to whether or not there is a contradiction here. At a later stage, will we opt for merger of these small banks and payment banks, because they would also be facing similar challenges as size will matter?

g) The question is how does creating a new bank with bad loan ratio of 24.9 % (Dena Bank) & 13.2% (Bank of Baroda) respectively genuinely helps any one? What it does is that it sweeps under the carpet the bad state of Dena Bank and BoB. So, the Government has fewer problems to publicly deal with. Nevertheless, it will pull down the performance of Vijaya Bank. In 1993, RBI forced a merger between Punjab National Bank and New Bank of India. As a fall out of the forced merger, PNB suffered a net loss of Rs 96 crore and got entangled with series of litigation particularly on HR issues. A similar fate was met by Oriental Bank of Commerce after merger of Global Trust Bank in 2004.

h) The merger of SBI with Associate Banks also witnessed the same trend. The overall bad loan ratio of State Bank of India as of 31.03.2018 was at 10.9%. The interesting thing is that State Bank of India was not in such a precarious position until March 2017. Yes, it had its share of bad loans like other PSBs, but it was not in the mess that it currently finds itself. The merger of Associate Banks has pulled down the performance of SBI. NPA of the merged entity shot up by Rs 48000 crore as on 31st March 2018. The merger was not only a commercial failure but according to Bloomberg, it also resulted in closing down 1805 branches, fall in staff strength by 15762 due to VRS despite new recruitment of 3211 employees and administrative hassles even though this merger was within associate banks. With proposed merger of the said three banks, the government is repeating the same mistake.

i) Mergers are being touted as the way to have only strong banks which will then have enough depth in their balance sheets to take care of future provisioning needs and also keep lending in a big way to achieve economic growth. But simply merging a weak bank with a strong bank, it will merely create a bigger bank which will be weaker than what it was earlier.

j) Merger of a weak bank (Dena Bank) with a strong bank may always not result into a better bank as the weaknesses of the weak bank may get transferred and the merged entity may become weak. The merger of Global Trust Bank with Oriental Bank of Commerce resulted in the weakening of robust Oriental Bank of Commerce.

k) The other challenge is customer retention. The recent merger of SBI with its Associate Banks saw a chunk of customers of Associate Banks opting to move their business to rival lenders as a result of lack of comfort in banking with the larger parents. The merged entity will face a challenge in retaining customers particularly that of Vijaya Bank which is dominant in South India.

l) The right course of action now should be to embark upon the aggressive recovery measures aimed at chasing bad debts armed with the powers conferred by the Insolvency and Bankruptcy Code and not engage in forced mergers, which will result in the banks getting bogged in administrative issues of merger.

3. In view of the foregoing, the AIBOC appeals to you to prevail upon the Government of India to scrap this anti people, harmful forced merger proposal once and for all like the FRDI bill in the greater interest of our mother land and its citizenry and ensure.

a. Immediate and strict penal action against corporate fraudsters and willful defaulters.
b. Making the bank wise list of all corporate defaulters public
c. Making the IBC process more transparent and effective in order to recover NPAs and stopping drastic haircuts dramatically.
d. Strengthening public sector banks through recapitalization and implementation of appropriate turnaround plan without hampering normal banking operations through unreasonable restrictions under PCA.

We urge upon your good office to take up this issue at the appropriate level so that the retrograde decision of the merger of the three Banks are stalled and also to thwart any move to announce further mergers.
With best regards,

Yours sincerely,
Sd/-
(SoumyaDatta)
General Secretary
UNQUOTE: