Shri Narendra Modi Ji
Hon`ble Prime Minister of India,
New Delhi.

Respected Sir,

APPEAL FOR RESCINDING THE PROPOSED DISRUPTIVE MERGER OF PUBLIC SECTOR BANKS

On 17th September, 2018, ShriArun Jaitleyji, Hon'ble Finance Minister, announced the merger of three public sector banks – the Vijaya Bank, Bank of Baroda and Dena Bank. The news has sent shockwaves to common law abiding, patriotic and conscious citizens like us, who, thanks to the growing sense and awareness regarding financial literacy and general economic understanding,is aware of the ramifications of this announcement.
There is apprehension that the Government is not restricting the issue of proposed merger of public sector banks only among these above mentioned banks but available reports from print and electronic media suggest a much wider and extensive plan to usher in a large scale exercise aimed at bringing in a slew of questionable measures to disrupt the normal functioning of a number of public sector banks in order to give controversial and uncertain birth of a few so called big banks. There is further angst that as a collateral damage to the entire banking system of the country the commanding heights of the banking activity will successively and systematically slip from the hands of public sector banks to the existing and the opportunistic emergence of new private sector banks, fin tech companies and NBFCs.

We, collectively have a varied experience of banking for several decades with all the public sector banks either as a depositor or as a borrower or as both or simply as a consumer of diverse services provided by these banks through myriad channels of gradually growing different facets of modern day banking and today, it will be a matter of monumental ingratitude if we fail to share publicly that despite various constraints in their functioning, the employees of these banks have broadly been successful in meaningfully contributing in the economic building of our nation, while remaining truthful to the trust of citizens of the country in playing effective roles as custodians of public money, mitigating economic and social disparities among larger sections of the society, enabling inclusive developmental growth of the common people of our country penetrating geographic, climatic, economic and cultural hurdles throughout the length and breadth of our vast nation.

Perhaps in no other country in this planet the public sector banks have played comparable roles in the developmental activity while remaining steadfastly committed to the commercial relevance of their existence. Be it social sector schemes, community service, credit to all sectors with special emphasis to small and marginal farmers, small business, students and women, we find the ubiquitous, constructive and matchless presence of these public sector banks whereas their competitors in the domain of private sector remain pleasantly ensconced in comfortably focusing only in vigorous pursuit of profitability and commercial efficiency turning a nearly blind eye to the duties, responsibilities and commitment towards their developmental role in the economy of the country.

The efficient and effective conduct of various ambitious Social Security Schemes of GOI viz., Pradhan Mantri Jan- Dhan yojna, Mudra, Stand-up India etc., by these public sector banks stands as an unequivocal testimony of the keenness and sincerity of the public sector banks in partnering with the GOI initiative in every sphere with matching efforts and dexterity. In November – December 2016, the remarkable and professional approach of these public sector banks enabled the GOI in implementing the colossal Demonetisation measures, with precision. The inescapable evidence of tireless efforts of the banking industry however seems to have failed to attract the required attention of GOI towards their unwavering support to every single Government initiative even at the cost of ignoring the commercial prudence and surrendering the competitive space to their rivals the private sector banks. The fact of mammoth quantum of cost incurred by these public sector banks towards expenses relating to Pradhan Mantri Jan-dhan Yojna, Demonetisation, pension schemes, Aadhar Seeding, Swachh Bharat Mission, Yoga Day to name a few, have surprisingly failed to cut much ice with the GOI.

We have reasons to fear that the plans and measures getting unravelled in the area of merger of public sector banks undeniably pave the way for gradual yet distinct shift towards the era of successive rise and dominance of private sector banks aided by successfully attracting and ensuring free flow of foreign investments though FII and FDI route. The Government that was dethroned in 2014, had a similar blighted outlook in respect of the banking sector and with the formation of a new government at the Centre under your leadership we hoped and expected that a new thought with consequent positive, pragmatic and innovative approach will replace such impairing visions. But, undeniably we observe that our hopes and expectations were belied.

In India and world over, there have been innumerable instances where Mergers and takeovers of banks have been unsuccessful owing to short sighted, incompatible and unsuccessful consolidation of systems and methodology, asymmetric organizational restructuring, improper, irrelevant and hasty communication, inappropriate human resources integration, unsystematic assessment of pre-merger risk, coupled with lack of synergy, illogical managerial decision and want of diverse cultural consideration. The banking sphere across the globe is replete with examples such as the failure of merger of Merrill Lynch, Bank of America, Dresdner Bank and Deutsche Bank to cite a few. In fact, in the international realm of Banking industry, the failed merger of Deutsche Bank and Dresdner Bank in the year 2000 even in a well-regulated economy like Germany, raises a plethora of questions in the area of improperly planned mergers of banks. The consequences of such failed mergers are quite perilous as we find such mergers beget multitude of insurmountable challenges like improper working environment with non-synergetic working styles, creation of huge debts, pressure on balance sheets, unsystematic and skewed financial portfolio with burdening growth of toxic assets resulting in unmanageable growth of NPA, rendering an over-all deleterious and debilitating effect to the whole process.

Back home we are witness to the recent inglorious merger decision among SBI and its subsidiaries. The indelible imprint of adverse impacts of such events towards the interest of the different stakeholders as well as that of the employees is quite difficult to ignore. SBI, much to the chagrin of the investor community, the stakeholders and banking fraternity incurred an unprecedented loss of Rs.381 crores. There is an environment of tension and suspicion in the economy and the harmful repercussions of the same both in the shorter as well as in the longer run is inescapable. The concept of customer loyalty, retention and preferred banking relationships are going to fall apart with mergers. The sudden change of service provider is sure to create an aura of distrust and dissatisfaction.

Bank mergers in Indian scenario will eventually lead to decline in job opportunities, youth unemployment, lack of systematic job profiles with huge pendency of disparate work processes among merged banks and entities, huge debt ridden NPAs. Post-merger consolidation in India will open flood gates for foreign or private sector banks to inundate the Indian banking sector with cut throat competitive attitude while completely ignoring the social obligation and responsibilities coupled with obvious and absolute disregard towards socio-economic role. The inexorable march of the elements of profitability, ruthless competition to grow and earn increasing amount of profit will continue to be the main driver. A scenario where funding the infrastructure projects will become non-viable due to lower ROI (return on investment), building and piling of NPAs, lower internal rate of return with high gestation period and costly propositions of funding long term projects with short term funds putting enormous pressure on the Asset-Liability management of the banks will perforce the banks to achieve unrealistic targets and there will be little possibility and liberty to deviate from the thin line of constraint driven decision to perform after merger.

Human resources problems will be visible with apprehensions on shutdown of smaller bank branches, fewer opportunities for career progression, staff unemployment with cost-optimization scenarios leading to excessive dependence on technology, deficit of trust among customers, imprudent creation of weak asset rendering multiplier and accelerating effect on NPA front.

History bears the testimony that merger has always reduced the number of branches which ultimately cuts down the number of employees and officers. In the wake of the merger of State Bank of India and its five associates, more than 1500 number of offices / branches are proposed to be reduced. Quite surprisingly although, we can see that the Reserve Bank of India, in recent times, has given approval to several entities to set up payment banks and small banks in order to widen the reach of the banking services in India and to achieve central government's goal of financial inclusion; and on the other hand, to our utter surprise totally contrasting approach unfolds the plans of merger of the public sector banks resulting in reduced number of banks and branches. Any sane mind would question the reasons for such contrasting approach. It is also very pertinent to note that a payment bank can only undertake limited banking functions as per the Banking Regulations Act, 1949. When they do not have the permission to lend to the needy then how they would meet the financial needs of our countrymen?

The available facts and figures strikingly point to the lowering ratio of Indian Bank branches compared to the other developed and developing economies of the world. The public sector banks have been passing through a difficult period with deteriorating asset quality and fast receding capital base. The public sector banks need capital for absorbing many of the losses out of stressed assets. The Parliament Standing Committee has clearly stated that the major NPA is due to infrastructure lending which was forced on Public Sector banks because of withdrawal of Development Finance Institutions.

It is very unfortunate and disheartening to learn that the Governor of the regulatory authority of Banks in India commented that the proposed merger of banks would help in dealing with the problem of stressed assets of these Banks.

The declaration of willful default as a criminal offence is still to see the light of the day, which further worsens the situation for the PSBs. It is the need of the hour that our regulators come out with more teeth for tackling NPAs, as recommended by the Parliament Standing Committee instead of making such irresponsible statements. Ironically, it seems that RBI is hell bent on implementation of BASEL III Norms and Asset Quality Review (AQR) by any means, even knowing that the AQR will result in mounting losses for the banking sector.

In the days to come, the position of NPAs will worsen if the names of willful defaulters are not published without and disparity for treating them as criminal offenders. The government and the RBI failed miserably to bring in any stringent act or regulation to deal with the large corporate defaulters which account for more than 86 percent of the public sector banks' NPAs. Very unfortunately, the Government instead of capital infusion in addition to bringing in stringent laws to recover the dues from these corporate defaulters, is busy diverting overstretched resources to mergers.

Today, hardly 5-10 per cent of the 6,32,000 villages have a bank branch of PSBs. The number of rural branches has been reduced from 54 per cent in 1994 to 33 per cent in 2014. Nearly 43 per cent of the rural credit is financed by money lenders, landlords etc. The number of suicides of farmers for want of institutional credit at low interest with long repayment period is on the increase. Hence merger and consolidation of PSBs are sure to be detrimental to the interests of the rural poor particularly farmers who are the backbone of our Nation.

Sir, if employment generation has to take place in our country, we need the support of Public Sector Banks. Lending to Agriculture, SSI, Artisans, Women, Traders and Students will generate large scale employment. For the Government schemes to succeed, we need public sector banks. The demographic advantage can be used only through public sector.

Sir, merger is not a panacea for the prevailing problems. On the contrary, it would certainly aggravate the situation. Coming back to the issue of merger of Vijaya Bank with Bank of Baroda and Dena Bank we find this is pertinent to mention here for greater 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. The question that naturally comes knocking 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? On the contrary it will pull down the performance of Vijaya Bank. What it does is that it sweeps under the carpet the bad state of Dena Bank and BoB. So, that the Government and the regulatory authority comes across with lesser challenges to publicly deal with. 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.

Sir, we know history repeats itself and incidentally it repeats at times quite intensely and agonizingly.

Against the above backdrop we request you to initiate necessary steps to ensure immediate implementation of the recommendations of the Parliamentary Standing Committee on Finance on NPAs and we are reasonably certain that if it is done this will result in bringing down the rising hood of NPA and accordingly there will be no need for the public sector banks for additional capital.

In a nutshell, merger of public sector banks to us appear to be a determined step towards ultimate privatization of banks and as people of the country and as a taxpayer as we contributed to the rise, growth and sustenance of Public Sector Banks, we have no other alternative but to oppose this move.

We appeal to your esteemed authority to have a relook at the policies of merger of public sector banks and instead encourage Public Sector which is patriotic, committed and have repeatedly displayed its unquestionable responsibility to fulfil the requirements of the Nation.

Yours sincerely,

The following law abiding, patriotic and nationalistic citizens of our country

Sl No	Name of the Citizen	Place	Signature
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