

STATE BANK OF INDIA OFFICERS' ASSOCIATION

(BENGAL CIRCLE)

(Registered under Trade Unions Act 1926-Regd. No. 6908)

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Circular No. 112/2019

Date : 05.09.2019

To All Members (Please Circulate)

We reproduce hereunder the Circular No. 79 dated 05.09.2019 issued by the General Secretary, All India State Bank Officers' Federation, the contents of which are self-explicit.

With revolutionary greetings,

Shubhajyoti Chattopadhyay
(General Secretary)

To all our Affiliates / Members:

SAVE SYNDICATE BANK SAVE INDIA

We reproduce hereunder the text of AIBOC Circular No. 2019/50 dated 04-09-2019 contents of which are self-explanatory for information of the members.

(Soumya Datta)
General Secretary

SAVE SYNDICATE BANK SAVE INDIA

We have sent a communiqué to all the Directors of Syndicate Bank's Board requesting them to oppose the proposed merger with Canara Bank. Text of the letter is appended.

With greetings,

Sd/-

(Soumya Datta)
General Secretary

Text of Letter No. AIBOC/2019/72 dated 04.09.2019

Ref No. AIBOC/2019/72

Date: 04.09.2019

The Directors
Syndicate Bank

Dear Sir,

SAVE SYNDICATE BANK

Greetings from All India Bank Officers' Confederation (AIBOC), the apex organization of Bank Officers' of over 3,20,000 members and whose affiliate is the recognized majority Association of Officers in **Syndicate Bank**.

2. We are writing to you in the backdrop of the recent announcement by the Union Minister of Finance and Corporate Affairs, on 30th August, 2019 to merger Public Sector Banks (PSBs) in the country. Merger of Syndicate Bank with Canara Bank is one of such shocking statements.

3. Syndicate Bank has a glorious history. It is one of the oldest and most important commercial banks of India. Having been founded as Canara Industrial and Banking Syndicate Limited, Syndicate Bank was one among the top commercial banks that were nationalized on 19 July 1969, by the Government of India. Bank has been doing yeomen services to the countrymen. It is a matter of pride that it has international presence with overseas branch in London, and an exchange company in Oman. Syndicate Bank is a pride of the "Karavali Karnataka" which has given birth to many commercial banks. The Bank has been a pioneer in many fields. The idea of "Small Man's Big Bank" emanated in the minds of the founders from day one and it still continues. The main clientele of the bank even at the time inception were the local weavers. When nobody could even think of financial inclusion, the Bank had come out with the unique deposit scheme "Pigmy Deposit" in the year 1928, wherein the agents would visit the door steps of the customers daily to collect their saving as little as one anna. Even before the Govt came out with concept of Priority Sector

Shubhajyoti Chattopadhyay

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Advances, the Bank was already assisting the people with small means like SSI, Agriculture, Artisans etc., In fact, Syndicate Bank was the first bank in the entire country to come out with the idea of financing for crop production when agriculture was considered to be a wager. When such loans were given, RBI wrote to the bank stating that it is venturing into a high risk portfolio! After nationalization, the number of branches increased and the bank expanded its wings all over the country and dedicated itself to the objectives of nationalisation with maximum expansion in rural and semi-urban areas catering to the needs of the people from neglected sectors. Syndicate Bank was the first bank to sponsor a Regional Rural Bank, "Prathama Bank" in Moradabad in 1975. While all the banks were lending finance for crop production in a loan format, the Bank came out with the idea of financing it in an overdraft form under the name "Syndicate Kissan Credit Card Scheme" which concept is now extended by all banks as Kissan Credit Card. At the same time, it has also kept pace with the technology. It is first Public Sector Bank to adopt Core Banking Solution way back in the year 2001 and has won so many awards and accolades globally, for implementing Information Technology. Even today, the Bank has started many initiatives in technology. If the proposed merger goes through, the glorious history of Syndicate Bank in nation building will be destined for oblivion.

4. Syndicate Bank is a fundamentally strong bank, with huge base of loyal customers and held in high esteem. We are of the firm opinion that there is no reason for merging Syndicate Bank with Canara Bank and obliterating it from the banking arena. This unilateral imposition, totally uncalled for, goes against the interests of stakeholders of the bank and most especially the customers and stakeholders of the Bank. The decision taken by Finance Minister will create havoc in the Indian economy as is evident from the response from the stock markets.

5. AIBOC urges upon you as a respected Board Member of **Syndicate Bank** to take an independent, objective view of the implications of such a decision thrust from Government, on the bank's business, integration of technology platform, amalgamation of HR & cultural issues, financial health, morale of the officers and employees and the confidence of the bank customers.

6. Please ponder over the way in which the consolidation of banking industry is being forced upon. Government has been imposing, coercing the Banks to tow its line. Government has flouted all the established conventions, law and the practice. The authority of the Parliament and the Regulators has been undermined, by rushing through the Alternate Mechanism constituted by the Union Cabinet to merge. Does this Alternate Mechanism have the necessary authority or parliamentary mandate to take such decisions without prior consultation with the Bank Boards and their concurrence? This has serious ramifications for the functional autonomy of the Bank Boards. Government has been in hurry, for the reasons best known to it.

7. As a Director of the Bank, we are sure that you are aware of the economic situation in which the country is placed. Another economic slowdown and consequential financial crisis is apprehended by the economists. The sluggish economy is hitting every facet of the economic activity and this phenomenon is being portrayed differently by the Government. The GDP grew at 5% in the first quarter of FY 20, marking the slowest growth since the fourth quarter of FY13. We place before you the few points which are relevant to reckon the situation in which the country is placed and why the mergers and amalgamations are unwelcome.

a. One of the serious problems haunting the banking system today is Stressed Assets and the consequential losses on account of provisioning. How does merger/amalgamation help in the recovery of NPAs? The present CASA ratio of Syndicate Bank is 32.58% and after consolidation, the ratio stands reduced at 30.21%. Just addition of balance sheets will not alter any factual position. On the contrary, it pulls down the financial health, abets pushing the dirt under the carpet, helping wilful and skilful corporate defaulters.

b. In a note to the Parliamentary Estimates Committee on Bank NPAs, former RBI Governor Dr. Raghuram Rajan has termed bank mergers as a "non-solution" to the NPA problem. He has noted:

"We need concentrated attention by a high level empowered and responsible group set up by the government on cleaning up the banks. Otherwise the same non-solutions (bad bank, management teams to take over stressed assets, bank mergers, and new infrastructure lending institution) keep coming up and nothing really moves."

c. Public sector banks are losing market share on account of discomfort created due to increase in the corporate NPAs; Unfair business methods adopted by Fintech companies, Payment Banks and the private sector banks. Mergers will throw PSBs into disarray resulting in flight of business to such entities.

d. It is a very relevant question why the Government is discarding the sane advice to enact stricter legislation to criminalize willful defaulter, than to contemplate cosmetic approach of merging Banks?

e. The Insolvency and Bankruptcy Code (IBC) process initiated by the Government has not yielded the desired results. As per the information disclosed by the Ministry of Corporate Affairs, out of the 26 cases that have been referred to National Company Law Tribunals (NCLTs), only 2 cases have been settled till date, leading to haircuts of around Rs. 28000 crore for the banks. The legal regime has been tilted towards the corporate defaulters, while the interests of the public sector banks are being subverted. NPA recovery through other channels like the ARCs has also failed, and emphasis has been laid on NPA write-offs, which has led to burgeoning losses for the banks. What is required is an overhaul of the NPA recovery regime, which makes it more effective, speedy and transparent. Mergers/Consolidations are nothing but to mask the failures of the Government on this front.

f. The Government's approach towards reduction of banks is planned, and a futile, misplaced demonstration to the world at large that it is embarking upon reforms in banking industry. It is a step in the direction towards disinvestment and privatization. It is certain that the number of branches will be reduced, in the name of rationalization. This deprives the much-needed banking amenities to the common man of the country.

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- g. Penetration of bank branches is lowest in the country compared to developed countries. Instead of expanding the branches of the PSBs to the nook and corners of the country, PSBs are being merged, which results in closure of bank branches, in the guise of rationalization, as has been observed in the merger of Associate Banks with SBI.
- h. Mergers create huge entities, which is not in the best interest of the economy. It is a myth that big is strong. We have seen the classic example of Lehman Brothers. As the span of control widens, organization becomes unmanageable, inefficiency sets in, leading to colossal damage to the Organization. When a big tree falls, everything around it becomes debris. Big banks are a threat to the banking system sooner or later.
- i. The most misused jargon for the past two decades are "scale of economy", "synergy", "big is strong". There are plentiful examples of failure of big entities. Elsewhere in the globe biggies have become bankrupt. No where we can come across with successful mergers. The recent experience of the merger of the Associate Banks with the SBI is standing example of what happens upon merger (i.e. closure of bank branches, creating different section of employees within organization, flight of business etc). Bank of Baroda upon merging Vijaya Bank & Dena Bank with it has not seen any benefit. While expectation on merger is proclaimed as 1+1 will be more than 2, factually, it ends way short of 2.
- j. Banks will have to face a meaningless, not-worth-it challenge post-merger. At least for first 3-5 years, merged entities will be constrained to be busy in realigning its business processes, systems and procedure, harmonizing the human resources, and the organization model. Customers will be put to deep trouble. Sense of pandemonium will prevail. The organizational disruption caused in these banks through the merger/amalgamation would relegate every other activity to the backstage. Banks involved will have to do fire-fighting for the next few years, adversely affecting other banking activities in order to integrate people, processes, technological platforms and procedures. The outcome may well be higher losses on account of provisioning and NPA accumulation, which will outweigh any efficiency gain that is being projected. Moreover, cost cutting measures through rationalization of staff and branch rationalization will be severely detrimental to the interests of the employees and will vitiate the industry climate.
- k. Further, you are well aware that the Board is currently deficient in constitution because of the non-appointment of Workman and Officer Directors, which is mandatory under the Bank Nationalisation Act(s) and the Schemes made thereunder, and/or other equivalent extant and applicable statutory provisions. Such unilateral decision has profound consequences for the Bank, and the Board cannot take such a crucial decision without the participation of such Directors. If the Board proceeds to deliberate on such a decision and eventually approves it, such procedure would clearly be illegal and vitiated for want of quorum. The provision(s) of law that validates such decisions despite a deliberate non-appointment of mandatory Workman and Officer Directors by the government are presently under challenge before Hon'ble Supreme Court (in TC(C) 21 of 2019, *AIBOC v. Union of India* and connected matters) and notice has been issued to the Government on the same. You are therefore requested to not consider the agenda item relating to merger or acquisition in the meeting of your Board prior to the appointment of such directors, as such decision involves withering away of the institution itself.

The points noted above and other issues have to be discussed, deliberated on from the point of view of the workmen and the officers and that can be properly and effectively done only when their representatives are duly allowed to participate in the meetings and the decisions of the Board. You are, therefore, requested to persuade the Government of India to take immediate steps to appoint such directors prior to consideration of any such agenda of merger or acquisition.

8. We have onerous responsibility to ensure a healthy banking system in the country. We are dutybound to blow the whistle that merger is catastrophic, to the Banks involved, customers, human resources and to the Nation. This does not benefit anyone, but the ego of the powers that be. It does not help any, but the squeezing NBFCs and MFIs. On the other hand, mergers reduce the banks, creates monopoly, results in higher service charges, lesser options, and the least of care and service. Common man of the country will be deprived and employment opportunities are curtailed.

9. We believe that the bank managements, associations and unions have the inherent and collective strength to revive the public sector banks and restore their financial health. What is required is a favorable policy thrust from the Government in adequately recapitalizing the PSBs and improving the legal system to facilitate NPA recovery. We seek your support for this alternative vision and urge upon you to negate the proposed merger of the Syndicate Bank and Canara Bank.

10. Please express your views as per your conscience and not merely surrender to the diktat of the powers that be. Your opinion can make or mar the Bank's future and country's economic prospects. Say **No** to the proposal of merger. Kindly place your objections when such resolution comes up in the ensuing Board Meeting. Syndicate Bank is culturally, socially and psychologically entwined with the people of "Karavali", the State of Karnataka with loyal customers all over the country.

We wish that Syndicate bank should grow from strength to strength and hold its flag high.

We look upon you to save **Syndicate Bank** and its identity.

With best regards,

Yours sincerely,

Sd/-

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