

ALL INDIA BANK OFFICERS' CONFEDERATION



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PRESS RELEASE

AIBOC CONDEMNS THE MOVE TO MERGE VIJAYA BANK, DENA BANK & BANK OF BARODA

All India Bank Officers' Confederation, the apex body of the Bank Officers' trade union movement in the country having membership of around 3.2 lakh officers, strongly condemns the Government's move to merge the three Public Sector Banks viz: Bank of Baroda, Dena Bank & Vijaya Bank, into a single entity.

The central problem of the Indian banking industry is the enormous pile of NPAs worth over Rs. 10 lakh crore, which have accumulated on account of faulty lending practices and the absence of any strategy to recover the amounts from delinquent corporate houses. The much publicized Insolvency and Bankruptcy Code (IBC) process has also not succeeded in recovering NPAs and has rather resulted in substantial haircuts for the banks. The absence of strong penal action against the corporate fraudsters like Vijaya Mallya, Nirav Modi, Mehul Choksey etc. reflect the lack of political will on the part of the Union government.

In this backdrop, the announced merger of three public sector banks is nothing but a diversion away from the core issue of NPA recovery. Mergers cannot resolve or clean up the balance sheets; rather the NPAs of the three merged entities would simply add up. The improvement in certain ratios, if any, would amount to mere financial engineering, without resolving the actual problem.

The organisational disruption through the merger would relegate every other activity to the backstage. Banks involved may have to do fire-fighting for next few years, adversely affecting other banking activities in order to integrate people, processes and procedures. The recent experience of merger of the SBI associates with the SBI has already led to higher losses and NPA accumulation in the last financial year. Yet, the Finance Ministry seems to have learnt no lesson.

In a recent note to the parliamentary Estimates Committee on Bank NPAs, former RBI Governor Dr. Raghuram Rajan had 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 government on cleaning up the banks. Otherwise the same non-solutions (bad bank, management teams to take over stressed assets, bank mergers, new infrastructure lending institution) keep coming up and nothing really moves. Public sector banks are losing market share as non-bank finance companies, the private sector banks, and some of the newly licensed banks are expanding.

The fact that the Government is going against such sane advice and proceeding with the merger of three public sector banks reflect on its dubious intent. The move may be intended to shield wilful and skilful defaulters close to the powers that be. In this backdrop, the AIBOC urges upon the Government of India to withdraw this proposed merger plan and instead launch a comprehensive action plan for NPA recovery, including:

1. Ensuring immediate and strict penal action against corporate fraudsters and willful defaulters.
2. Making the bankwise list of all corporate defaulters public.
3. Making the IBC process more transparent and effective in order to recover NPAs and stopping huge haircuts for the public sector banks.
4. Strengthening the public sector banks through recapitalization and implementation of the approved Turnaround Plans, without hampering normal banking operations through unreasonable restrictions under PCA.

Confederation will launch every conceivable organizational actions to protect the Public Sector Banks and its stakeholders.

Public Sector Banks belong to billions and billions of citizenry of this country; and not to billionaires.

(Soumya Datta)
General Secretary