THE FEDERATION OF BANK OF INDIA OFFICERS' ASSOCIATIONS

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Dear Comrades,

LET US BRAVE THE ASTRAS TOO

We reproduce, hereunder, the contents of the Circular No. 2015/59 of date, on the captioned subject issued by Com. Harvinder Singh, General Secretary, AIBOC for your information and circulation among the members.

QUOTE:
"The long brooding reforms were announced by the Government in a very colourful term "INDRADHANUSH" and they attempted to teach ABC to the very experienced Banking professionals of this country.

To a reasonable extent the announcement can be interpreted as a confession on the part of the Government, that the policies of the Government and controllers are the prime reasons for the prevailing plight of the Banking sector.

Our Confederation had visualised the ill designs of the Government long back. We were the first trade union to react to the policies of the Government on so called reforms through our letter to RBI, Government and in a innovative way of an advertisement in three important daily news papers published from Pune on the day when our Prime Minister was to address GYAN SANGAM. This was done with a view that all Political bosses, Bureaucrats, and Bankers will take cognizance of the feelings of 3 lac strong force of officers who are steering the Banking Industry through all bad times. Though on many other occasions also, we have elaborately exposed the Government's structured designs to destabilise the Indian banking sector on isolated issues, we once again want to express our feelings and views on consolidation on the seven steps initiated by the Government.

A: **APPOINTMENTS**:

The Government has declared personnels for the posts of Non executive chairman and MD & CEO for few banks in lines with their earlier decision to separate the post of Chairman and Managing Director by prescribing that in the subsequent vacancies to be filled up, the CEO will get the designation of MD & CEO and there would be another person who would be appointed as non-Executive Chairman of PSBs. The announcement also permits relaxing appointment norms and lateral recruitments in middle and senior Management levels, which will block career path of officers who have been toiling hard all these times.
The ministry has justified their approach as based on so called global best practices and as per the guidelines in the Companies Act to ensure appropriate checks and balances, ignoring Indian set of circumstances. They have gone to the extent of notifying the appointments subject to the outcome of the Supreme Court in cases filed by AIBOC and Com. K.D. Khera against the process of appointment of Non Executive Chairmen and MDs & CEOs without waiting for the decision of the Apex court. However, in appointment letters there is a mention that these appointments are subject to the decision of the court in AIBOC Vs. Union of India & Ors and K.D.Khera Vs. Union of India & ors, which is a mockery of such high posts.

This unjustifiable step of the Government is highly condemnable and can be branded as retrograde step as it is demeaning the process of cadre building in the PSBs practiced over a period. In Public

Sector Banks, there are people who have slaved their way up from the bottom. When they see private sector appointees being hoisted upon them, it could truly ruin their spirit. Our Confederation has expressed its view categorically through various circulars, representations to the Prime Minister, the Finance Minister, the Secretary D.F.S. and to Chairman, Rajyasabha Committee of Subordinate Legislation (which is meeting today to discuss the issue).

Simultaneous with our efforts to bring a remedial measure through legal means, we will have to mobilise the public opinion and stage organisational protests in the days to come, to uphold the dignity of our labour -the cardinal principle of the trade union movement. We have raised this issue in UFBU meeting also which was held on 16th August at Hyderabad with a request for joint action programme.

B. **BANK BOARD BUREAU**

In the name of good governance the Government has come out with an idea of forming BBB which is stated to be a body of eminent professionals and officials, which will replace the present system for appointment of Whole-time Directors as well as non-Executive Chairman of PSBs.

The BBB will comprise of a Chairman and six more members of which three will be Govt. officials and three experts (of which two would necessarily be from the banking sector). The Search Committee for members of the BBB would comprise of the Governor, RBI and Secretary (FS) and Secretary (DoPT) as members. The BBB would broadly follow the selection methodology as approved in relevant ACC guidelines. With the presence of majority Government officials and so called professional Bankers appointed again by Government, change seems to be a farce.

Though we don't have any objectionable stand on the conception of the formation of BBB as the Bureau is expected to do the job of ACC as indicated, a provision appeared in the following lines that the *Bureau will also constantly engage with the Board of Directors of all the PSBs to formulate appropriate strategies for their growth and development* is much disturbing as it would be defeating the very announcement of the Prime Minister against Govt interference in the functioning of the Banks and it would be an initiative against the functional autonomy of the PSBs.

C) **CAPITALIZATION**:

It is very interesting to note from the following lines of the Govt. announcement "*As of now, the PSBs are adequately capitalized and meeting all the Basel III and RBI norms. However, the Government of India wants to adequately capitalize all the banks to keep a safe buffer over and above the minimum norms of Basel III"* which is a major shift from the Government's continuous mudslinging on the PSBs capital strength.

The Govt. Decision of not providing capital to few banks and infusing the capital in tranches is an obvious attempt to divide the PSBs in to A, B and C as decided in the GYAN SANGAM concluded in Pune.

This evil design can be perceived from the following lines appeared in the Govt. announcement "*40% capital will be allocated to the top six big banks viz. SBI, BOB, BOI, PNB, Canara Bank, and IDBI Bank in order to strengthen them to play a vital role in the economy.*"

It is indeed an irony that when the Govt. admits that all the PSBs are having adequate capital to meet even the Basel III norms and additional infusion is only to have a safe buffer, the same Govt. refuses to provide level playing field by treating all the PSBs equal by offering the Capital proportionately and immediately.

Here we wish to offer few suggestions to improve the capital structure of the PSBs as below:

i) The Govt. must permit the PSBs to retain the Dividends due to the Govt. till the PSBs attain the required level of Capital adequacy.
ii) The Govt. must declare income tax holiday till the required Capital adequacy is achieved.
iii) The PSBs must be permitted to value the real estate assets owned by them at market value and classify them as Tier I capital.

iv) Instead of branding the PSBs as capital starving, concrete steps may be taken to recover the NPAs of corporate sector to free the blocked capital of the PSBs.

The selective infusion of capital is an attempt to divide the PSBs for which seed was sown in the GYAN SANGAM held in Pune. The following few lines mentioned in the perception paper presented during the GYAN SANGAM is a testimony for the evil designs hetched against Nationalised/Public Sector Banks.

Under the caption IMPROVING RISK MANAGEMENT, RECOVERY AND ASSET QUALITY, it is indicated " Classification of PSBs into A, B and C based on top line".

Under the title BUILDING A ROBUST PEOPLE STRATEGY FOR PSBs, it is suggested "Need to shift from industry level agreements with unions on wage and recruitment to bank specific arrangements with emphasis on management agenda."

Under the head CONSOLIDATION AND RESTRUCTURING OF PSBs SUMMARY OF DISCUSSION, it was indicated "Potentially 5 PSU banks with acquisition capability, rest could be targets (particularly small PSU banks)"

It could be easily interpreted from the foregoing that the infusion of capital in instalments and deferred infusion to certain banks is an obvious attempt to weaken few identified banks to brand them as targets for merger or acquisition. It is our demand to treat all the PSBs equally and provide need based capital to them immediately.

D. **DE-STRESSING PSBS**

It is heartening to note that the Government has confessed that their policies and regulatory constraints are prime reasons for the present plight of PSBs possessing NPAs. It is admitted by the Government that:

- The infrastructure sector and core sector have been the major recipient of PSBs' funding during the past decades.
- But due to several factors, projects are increasingly stalled/stressed thus leading to NPA burden on banks.
- problems causing stress in the power, steel and road sectors are due to delay in obtaining permits / approvals from various governmental and regulatory agencies, and land acquisition, delaying Commercial Operation Date (COD); lack of availability of fuel, both coal and gas; cancellation of coal blocks; closure of Iron Ore mines affecting project viability; lack of transmission capacity; limited off-take of power by Discoms given their reducing purchasing capacity, funding gap faced by limited capacity of promoters to raise additional equity and reluctance on part of banks to increase their exposure given the high leverage ratio; inability of banks to restructure projects even when found viable due to regulatory constraints.
- In case of steel sector the prevailing market conditions, viz. global over-capacity coupled with reduction in demand led to substantial reduction in global prices, and softening in domestic prices added to the woes.

It is apparent from the above that the mounting over dues of PSBs were not due to the administrative incapability of PSBs as projected so far and it is due to the PSBs concern on the Infrastructure development-an important growth factor of the Nation building and the impractical policies of the Government &Regulators.

Our continued demand and stress to make the rules and norms stringent to punish the defaulters and recover the bank dues to strengthen the PSBs' capital structure has still been ignored.

E.**EMPOWERMENT:**

Though the Government has issued a circular that there will be no interference from Government and Banks are encouraged to take their decision independently keeping the commercial interest of the organisation in mind, the various decisions communicated, which are in lines with the GYAN SANGAM's perception paper, does not validate the circular issued.

The following five statements sufficiently indicate the hypocrisy of the Government:

a) Continued control on the top level appointments.
b) Control over the infusion of the capital which decides the status of the Bank.
c) Moving on the predetermined conclusion to divide the PSBs in to acquirer & targets, adopting middle level recruitments which would demoralise the recently recruited workforce and attempting for bank level wage settlement instead of industry level settlement.
d) Continued control of BBB over the Board of Directors of all the PSBs to formulate appropriate strategies suit the authorities.
e) The qualitative performance of the Banks would be assessed based on a presentation to be made by banks to a committee chaired by Secretary, Department of Financial Services.

The above positions indicated by the Government will in no way be nearer to the announcement of offering functional autonomy to the banks.

F.**FRAMEWORK OF ACCOUNTABILITY**:

Against the present system for the measurement of bank's performance called SoI – Statement of Intent, as this entire exercise took very long and sometimes the targets for banks used to be finalized only towards the end of the year, two changes are suggested by the Government:
A new framework of Key Performance Indicators (KPIs) to be measured for performance of PSBs is announced primarily to be used to decide the performance bonus to be paid to the MD & CEOs of banks by the Government and even to consider ESOPs for top management of PSBs.

The Accountability frame work has been suggested to lay down strict timelines for filing of complaints of fraud cases with CBI as well as for monitoring each and every case almost on a day-to-day basis. To follow the new guidelines of RBI streamlining the framework for dealing with the loan frauds, which stipulates a timeframe of six months, red flagging of accounts, constitution of a Risk Management Group (RMG) in banks to monitor pre-sanction and disbursement, nodal officer for filing complaints with CBI, provisioning in four quarters and creation of Central Fraud Registry have been laid down.

Department of Financial Services (DFS) has directed PSBs to make CVO as the nodal officer for fraud exceeding Rs 50 crore, in consortium lending the lead bank will file the FIR for all banks. CBI has designated one officer for reviewing and monitoring progress of bank's fraud cases. Though the Government has suggested so many provisions under the head Accountability, the very essential policy which would keep up the morale of the workforce to disseminate the prime function of the Bank "credit dispensation" without fear is not thought of.

During the wage revision talks AIBOC had made a detailed presentation to adopt an Accountability policy to deal with the bonafide decisions taken by the Bank officers, which must be brought for implementation if the Govt. is serious on revamping the functioning of PSBs.

G. **GOVERNANCE REFORMS**

Under this head the Government announced to have continued control over the performance of the Bank and to conduct GYAN SANGAMS regularly to bring changes which is totally a "U" turn against the Prime Minister's assurance of Non interference in the PSBs functioning.

Comrades, the cat is out of the bag. The colourful announcements made by the Government have exposed its designs to decolour the glittering PSBs which have been consistently contributing the Economic up keeping of the Nation.

Our performance under Jan Dhan Yojana, which is a much needed financial inclusion program for an under-banked country like India, is not given adequate appreciation. While the intention of the program is noble, there was enormous pressure on government banks to meet huge targets within a short time placing all the burden upon state-run banks, who had to spent considerable amount of their time to meet these targets which is not even the concern for the private banks.

Additionally, the mention in the Prime Minister Narendra Modi's Independence Day speech asking banks to get each of their 1.25 lakh branches to lend to start-up ventures that have Adivasi or Dalit youths, would put enormous pressure on *PSBs only*.

We will be forced to show an achievement in this regard by the time Finance Ministry would take up the next review meeting. In the urgency to achieve this, PSBs may not be able to follow due credit assessments and such decisions can backfire and as history has witnessed, NPAs will be piled up and we the officers will be projected as non performers and the leaders will be selected from the Private sector Banks.

The envisaged changes will be resulting in a scenario in which:

i) The PSBs will be divided into A, B and C based upon their performance and available capital.
ii) Retaining top few banks as acquirer banks, other banks will be branded as targets.
iii) Despite our performance in sustaining the growth and profitability of PSBs, the top line will be selected from private sector and the internal intellectuals will be sidelined.
iv) The lateral recruitments in the middle level will demoralise the recently joined young officers which may bring a brain drain to be utilised by the private sector banks.
v) The top line will only chase workforce down the line to receive additional and disproportionate favour and benefits to.
vi) The demand on increasing the profit sharing towards incentives will be used to further divide the workforce.
vii) The Govt. directly and through BBB will continue to have total control over the Board functioning.
viii) The promotions and placements will be performance oriented (the subjective criteria which cannot be applied in service industry), whereas dividing the workforce on the performance in PSBs is a farce.
ix) Next wage revision will be a Bank level, which would be a death knell for Industry level settlement which is rational based.

Comrades, let us understand the suggested road map for the PSBs which would usher us to irretrievable damage. Let us wake up and prepare ourselves for the war which would only save the interest of common masses of this country through Public Sector character of Banks and will also ensure a promising future for the deserving ones. Let us expose the double standards of the Government and planners in shielding Private Sector Banks by not holding them responsible/seeking their accountability for implementing Social welfare schemes of the Government on the one hand and rewarding them with the opportunities of creamy business on the other."

UNQUOTE

With comradely greetings,

Yours comradely,

(HARVINDER SINGH)
GENERAL SECRETARY