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स्टेट बैंक ऑफ इण्डिया ऑफिसर्स एसोसियेशन
State Bank of India Officers' Association (Patna Circle)

All Letters to be
Addressed to the
General Secretary

Regd. No. 1872 of 1975
(REGISTERED UNDER TRADE UNION ACT - 1926)

State Bank Building
West Gandhi Maidan
Patna - 800 001

CIRCULAR NO. 18 /2019

DATE : 13.09.2019

TO,
ALL MEMBERS

SAVE UBI SAVE INDIA

We reproduce hereunder the text of the **AISBOF Circular No. 82** dated 13.09.2019, the contents of which are self-explicit.

With warm greetings,

(Ajit Kumar Mishra)
GENERAL SECRETARY

OUR UNITY : ZINDABAD-ZINDABAD
S.B.I.O.A. : ZINDABAD-ZINDABAD

TEXT

SAVE UBI SAVE INDIA

We reproduce hereunder the text of AIBOC Circular No. 2019/52 dated 06-09-2019 contents of which are self-explanatory for information of the members.

(Soumya Datta)

General Secretary

SAVE UBI SAVE INDIA

We have sent a communiqué to all the Directors of United Bank's Board requesting them to oppose the proposed merger with Oriental Bank of Commerce and Punjab National Bank. Text of the letter is appended.

With greetings,

Sd/-

(Soumya Datta)

General Secretary

Text of Letter No. AIBOC/2019/73 dated 06.09.2019

Ref No. AIBOC/2019/73

Date: 06.09.2019

The Director
United Bank of India

Dear Sir,

SAVE UBI, SAVE INDIA

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

We are writing to you in the backdrop of the recent announcement made by the Union Minister of Finance and Corporate Affairs, Mrs Nirmala Sitharaman on 30th August, 2019 regarding the merger/amalgamation of United Bank of India along with Oriental bank of Commerce with Punjab National Bank. We feel that this move is a unilateral imposition, which goes against the interests of all stakeholders of the banks.

AIBOC urges upon you as the respected Board Member of United Bank of India to take an objective view of the implications of such a decision thrust from above by the Finance Ministry on the bank's business operations, financial health, morale of the officers and employees and the confidence of the bank customers.

Decision-making with regard to bank merger is being thrust upon the Board of the banks by the Govt. showcasing scant regard for the independence and competence of the board. This has serious ramifications for the functional autonomy of the Bank Boards.

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.

Furthermore, on the merits of the merger, independent of the procedural issue noted above, we place before you the following points with regard to the Union Finance Ministry's proposal for merger/amalgamation of the three banks for your kind consideration:

1. United Bank of India is different from other banks. Instead of shying away from under developed regions it opened its branches from the day it started its journey. The journey continued with the support and patronage of the Board and this is the reason it is concentrated in north-east and eastern part of India. However, this concentration and close link both emotional and cultural with the people of this region has helped the bank to have a very healthy CASA deposit which is being cited as a reason for merger. The strong foundation and advantage that the low cost deposits built with the sweat and toil of the employees and officers are being used for its virtual wiping out.
2. Unlike other parts of the country, eastern and north-eastern parts are considered as frugal where the temperament of the people is mainly on domestic savings. About 90% of bank deposits are contributed by these states. We are apprehensive that with the proposed merger the umbilical chord that this bank has with the people of this region will be severed and this will defeat the very objective of using this low cost fund by the amalgamated entity for enhanced credit flow. Further with strong branch presence, the bank plays a pivotal role in monetising the economy by connecting people financially from different parts of the country to the eastern and north-eastern areas apart from being the SLBC Convenor for the states of West Bengal and Tripura. We are apprehensive that the proposed amalgamation will have a disruptive impact on the economy of both the states and block the channel of credits to the targeted sectors of the economy including two important labour intensive agrarian sector i.e., Tea and Cold Storage. We trust as an esteem member of the Board you will give due consideration to this great legacy of this Bank to these regions and will oppose the resolution for merger from this larger socio-economic perspective.
3. It is pertinent to mention that out of the total annual credit outlay for F.Y. 2019-20 of Rs.173075 crore as set out in Annual Credit Plan adopted in 145th SLBC Meeting, the share of UBI is Rs.31833 crore representing 18.39% of the total outlay on a standalone basis. Similarly in case of Tripura, the total annual credit outlay for F.Y. 2019-20 of Rs.49809 crore as set out in Annual Credit Plan, the share of UBI is Rs 4785 crore. We are afraid that due to policy paralysis that will follow, it may be very difficult to achieve the Annual Credit Outlay target for West Bengal and Tripura respectively by the banks in general and UBI in particular. In the above backdrop. The announcement of mega merger which aims at enhancing credit outflow from the banking system to lift the economy out of recession will certainly turn out to be counterproductive.
4. 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 stated "*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.*"
5. Public sector banks are losing market share as NBFCs, Fintech companies, Payment Banks, the private sector banks et al. It is a question to ponder why the Union Government going against such sane advice particularly at this juncture, when the GDP has administered a growth of just 5% marking the lowest growth since Q4 of FY 13. The PSBs are required to play a dominant role in revival of the economy, which could only possibly happen by making the individual banks stronger and not by merger of entities. We also draw your kind attention to the observation of Credit Suisse the reputed international rating agency which observed that the present decision of merger will be counterproductive.
6. The Government's notion that we have too many public sector banks in the country whose numbers need to be brought down through mergers/amalgamations, is a prejudiced idea which does not have any basis in economic theory or empirical evidence. Bank branch penetration continues to remain low in India compared to the developing country peers, which warrants an expansion

of bank branches and activities. Mergers/amalgamations on the other hand would cause greater concentration in banking, which will curb domestic competition and lead to reduction in bank branches. Moreover, given the much larger contagion effect of the failure of big banks on the financial system as a whole, concentration of banking will enhance financial fragility.

7. The claim that mergers/amalgamation always work to the advantage of all the stakeholders and lead to synergies and greater efficiency due to economies of scale is not borne out by evidence as has been stated in the foregoing. As things stand today, the combined balance sheet of the proposed new entity will have a CASA ratio of 40.52% (existing 42.16), CRAR ratio 10.77% (existing 9.73%), net NPA 6.61% (existing 6.55) which could only worsen further in the current and next fiscal.
8. The organisational 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 staff and branch rationalization will be severely detrimental to the interests of the employees and will vitiate the industry climate.

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.

9. The luminaries who have occupied your position in the Bank Board in the previous period had collectively carried forward the vision underlying bank nationalisation, which had a transformational impact on the banking sector. We request you to consider whether the proposed merger/amalgamation of the three public sector banks is in keeping with that vision and take a conscientious and prudent decision.

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 favourable policy thrust from the Union Government and the apex regulator 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 Punjab National Bank with United Bank of India and Oriental Bank of Commerce.

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.

We look upon you to save **United Bank of India** and **"Save India"**
With best regards,

Yours sincerely,

Sd/-

(Soumya Datta)
General Secretary
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