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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. 21 /2019

DATE : 13.09.2019

TO,  
ALL MEMBERS

**SAVE INDIAN BANK SAVE INDIA**

We reproduce hereunder the text of the **AISBOF Circular No. 85** 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 INDIAN BANK SAVE INDIA**

We reproduce hereunder the text of AIBOC Circular No. 2019/55 dated 10-09-2019 contents of which are self-explanatory for information of the members.

(Soumya Datta)  
**General Secretary**

**SAVE INDIAN BANK SAVE INDIA**

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

With greetings,  
Sd/-  
(Soumya Datta)  
**General Secretary**

The Director,  
Indian Bank

Dear Sir,

**Save Indian Bank, Save India**

Greetings from All India Bank Officers' Confederation (AIBOC), the apex organization of bank officers' community, commanding a membership of more than 3, 20,000 whose affiliate All India Indian Bank Officers' Association (AIBOA) is the recognized majority association of officers in Indian Bank.

We are writing to you in the backdrop of the recent announcement made by the Hon'ble Union Minister of Finance Mrs Nirmala Sitharaman about the merger/amalgamation of Indian Bank and Allahabad Bank. We feel that this move is arbitrarily imposition, from the Government which goes against the interests of majority of stakeholders of the banks.

AIBOC urges upon you as the respected Board of Members of Indian Bank to take an objective view of the enforcement of such decision thrust from the above by the Finance minister on the bank's business, Technology Integration rather than geographical compatibilities, HR and cultural issues, financial health, morale of the officers and employees and the confidence of the customers for the Bank.

Decision-making with regard to bank mergers is being thrust upon the board of the banks by the Government making exiguous regard for the independence and competence of the board. This has a serious ramification for the functional autonomy of the Bank Boards.

We place before you the following points in this regard to the Union Finance Ministry's proposal for merger/amalgamation of Indian Bank with Allahabad Bank:

1. The merger clearly demonstrated the futility of merging banks with difference of work cultures, ethic and skill levels of the employees, whereby event the stronger was put to severe stress.
2. The most serious problem plaguing the banking system today is that of NPAs and the consequent losses being made by the public sector banks on account of loan loss provisioning. How does merger/amalgamation help in the recovery of NPAs? Amalgamation of balance sheets of the three banks will only alter the NPA and capital adequacy ratios through financial engineering, without helping in the process of actual NPA recovery. This will only favour the willful and skilful corporate defaulters rather than restoring the financial health of the banks.
3. 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 had observed :*"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, and 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."*
4. The Government has announced for distribution of banking licence for corporate and ignored the public interest subsequently Public Sector Banks losing market share as NBFCs. New Fintech companies, Payment Banks have been started loot from Indian economy. Their reflection is impacting in our GDP. The GDP grew 5% in the first quarter of FY20, data released by the Government showed, marking the slowest growth since the fourth quarter of FY13.
5. The claims that mergers/amalgamation always work to the advantage of all the parties 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, the proposed new entity will have a Gross NPA 12.34%(

existing 7.12%), Net NPA 4.39 % (existing 3.75%) could only deteriorate further the current and next fiscal.

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 our 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.

It is a question to ponder why the Union Government going against such sane advice.

You are aware that Indian Bank which has weathered many a storm in the yester years since 5<sup>th</sup> March, 1907 when it was incorporated and was outcome of the Swadeshi movement. It has pan India presence with 2820 domestic branches 3 overseas branches 3399 ATM/BNAs and 2742 active Business Correspondents as on 31 March 2018. But the financials are shrinking with every passing year since 2017 and this merger is very likely to turn out to be catastrophic as has been evidenced in the past mergers.

7. We like to bring to your attention on the aftermath of the merger of New Bank of India with Punjab National Bank in 1993. RBI report dated 04.10.1999 states *"The experience of bank mergers in the public sector has so far been limited to that of New Bank of India with the comparatively strong Punjab National Bank in 1993. The result of this merger was no different from the worst apprehensions expressed above. A direct result of the merger was that Punjab National Bank, a strong bank with uninterrupted record of profits, had to record a net loss in 1996 of Rs. 95.90 crore. The bank also had to face litigation and other problems especially relating to service conditions of the personnel taken over some of which are still persisting. The merger clearly demonstrated the futility of merging banks with different work cultures, ethic and skill levels of the employees whereby even the stronger bank was put to severe stress. Till today little evidence is available of any worthwhile advantage having accrued to Punjab National Bank from the merger"*.
8. At this point of time, the decision of the govt. thrust upon the board of the bank to absorb another bank will again likely to be a fiasco as that was witnessed in the SBI merger of Associate banks, which resulted in SBI posting a staggering loss of Rs 6547 crore in FY'18.

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.**

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 two public sector banks is in keeping with that vision?

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 Union 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 Allahabad Bank with Indian Bank.

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. Please do not allow the government to claim that the proposed mergers were 'voluntary' and 'board driven' and not imposed upon.

Please express what your conscience tells you to and not merely surrender to the diktat of the powers that be.

We urge upon your good office to save Indian Bank and Save India.

Yours sincerely,

**Sd/-**

**(Soumya Datta)**  
**General Secretary**  
**Mob – 9830044737**