



ALL INDIA BANK EMPLOYEES' ASSOCIATION

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August 21, 2015

To ALL UNITS AND MEMBERS:

Dear Comrades,

Oppose the sinister move of RBI to grant license to private companies to start payment banks.

We reproduce herein the Press Statement issued by AIBEA regarding the decision of the Reserve Bank of India to grant license to various private companies like **Reliance, Aditya Birla, Airtel, Vodofone, Cholamandalam, Fino Paytech, Tech Mahindra** etc. to start Payment Banks.

Experience in the banking sector shows that in the past, hundreds of such private banks had cheated people's savings and depositors lost their money. That is why banking regulations were tightened. Incidentally, in AIBEA, we should feel proud that when our beloved leader and former General Secretary of AIBEA Com. Prabhat Kar was a Member of Parliament (1957-67), he championed the cause of the poor Depositors of the Banks who lost their savings when Banks failed and because of that a special amendment was made in the Banking Regulations Act which provided that if the condition of a Bank becomes bad, the RBI can declare moratorium and merge that Bank with another Bank.

Because the private Banks did not bother about the basic needs of the economy while collecting the deposits from the people, the need arose to nationalise the Banks in our country. Here also our AIBEA played a pivotal role in fighting for bank nationalisation. Since nationalisation of bank, banking sector in India has grown phenomenally and today they are touching the lives of the common people.

But in the name of reforms, the Government is trying to reverse the clock back and one such attempt is the grant of license to private sector to start Payment Banks with a view to harm the interests of public sector Banks.

To express our protest, we call upon all our unions – State Federations, All India Bankwise Unions, State-level unions, District and Town organisation, our units in RRBs and Co-operative Banks to **address letters to Finance Minister, Govt. of India and Governor, Reserve Bank of India** as per specimen given herein.

Copies of these letters are to be sent to Central Office of AIBEA for our record. (*aibeahq@gmail.com*)

With greetings,

Yours Comradely,



C.H. VENKATACHALAM
GENERAL SECRETARY

AIBEA press Release:

Grant of License to Payment Banks in private sector is clearly anti-public sector. AIBEA opposes this move of RBI

Yesterday RBI has announced the grant of license to 10 private sector companies like Reliance, Aditya Birla, Airtel, Vodofone, Cholamandalam, Fino Paytech, Tech Mahindra etc. to start 'Payment Bank' in addition to allowing Dept. of Posts to start such a Bank.

This is nothing but a direct attempt to boost private sector banking and to minimize the role of Public Sector Banks as well as to reduce the market share of public sector banks. Public Sector Banks in our country have done yeoman services in changing the banking profile and transforming from class banking to mass banking. Our economy was saved from global financial and banking crisis only due to the reason that our Banks were insulated by Government controlled public sector banks. Our strong banking regulations helped in sparing the country from a major financial disaster. But in the name of banking reforms the Government is trying to dilute PSBs and boost private Banks.

Because of the colossal private corporate delinquency, public sector banks are saddled with huge bad loans of nearly Rs. 6 lacs crores. As on 31-3-2015 there are 7035 cases of willful defaulters involving bad loans of Rs. 58,792 crores. The bad loans in the Banks as on 31-3-2015 has risen to 2,97,000 crores excluding another Rs.4,03,004 crores of bad loans of 530 corporate companies shown as rescheduled and restructured loans under

CDR scheme. Bad loans struck up in top 30 borrowal accounts of PSBS as on 31-3-2015 is Rs. 1,21,162 crores. All these are private corporate companies who had defaulted and it is strange that RBI and Government want to encourage the very same private sector to start Banks !

Further because of the thinning of margin and profits, Banks are striving hard to fetch low cost deposits like savings and current account and every Bank is concentrating on CASA deposits as the main route to improve their cost of funds and profitability.

CASA Deposits/Savings deposits of the common people are like oxygen to the Banks. At this juncture, giving license to such private companies to start Payment Banks whose main job is to collect savings and current account deposits will cut at the roots of the public sector banks.

At a time when Government wants to ensure that banking services reach everyone, the need is to strengthen and expand public sector banks who alone take care of the concern of the common people and their banking needs, such private banks are being encouraged. We know the history of such small private banks in the past who have cheated public savings and vanished from the scene. In India savings of the people is an import of the social capital and one cannot afford to play with this. Public savings should be fully regulated and controlled by the Government in the interest of our country and the common masses.

If these private Payment Banks are allowed to gather the savings and current deposits of the people which are of low cost, public sector banks will be deprived the same and hence the cost of banking services in PSBs will increase and rate of interest on small loans and priority sector loans will also go up.

Hence allowing such Banks in private sector is anti-public sector banks and in the long run anti-people.

AIBEA opposes the move and urged upon the Government to stop this policy of allowing Payment Banks in private sector.

To express our protest all our unions will be writing letters to the RBI Governor and Finance Minister not to go ahead with this policy.

From

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To

1. Shri Arun Jaitley,
Hon. Minister for Finance
Govt. of India,
North Block,
New Delhi-110001

e Mail: fm@finance.nic.in

2. Shri Raghuram Rajan
Governor
Reserve Bank of India
Shahid Bhagat Singh Marg
Mumbai-400001

e Mail: governor@rbi.org.in

Dear Sir,

We are very much concerned to observe that Reserve Bank of India has announced its decision to allow many private entities to start Payment Banks. We apprehend that this would enable mushrooming of number of private banks who will have the access to mobilise the hard-earned and precious savings of the common people. Past experience indicates that many of the private banks of those years had mismanaged the deposits of the people and innocent people lost their deposits. Further, all our Public Sector Banks including the Regional Rural Banks as well as the Co-operative Banks are able to thrive and sustain with the help of low cost savings deposits of the common people at large. Encouraging Payment Banks in private hands would deprive these Banks of this main source of funds and hence their cost of funds and cost of operations would be impacted adversely thus affecting the financial efficiency and performance of these Banks. It is not out of place to mention that the major problem that our Banks are facing today is on account of the bad loans attributable to the private sector and entrusting banking business to them is to be avoided.

In the interest of our banks, while strongly protesting against the proposed setting of payment Banks by private sector entities, we urge upon you to reverse the decision and stop granting licenses to them.

Thanking you, Sir,

Yours faithfully,

General Secretary