ALL INDIA STATE BANK OFFICERS' FEDERATION

UNION IS STRENGTH

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TO ALL OUR AFFILIATES

CELEBRATING THE 55TH ANNIVERSARY OF BANK NATIONALISATION DAY

We reproduce below the text of AIBOC Circular No. 2024/16, dated 17.07.2024 on the captioned subject, the contents of which are self-explanatory.

#OurUnityLongLive

With greetings,

(Deepak Kumar Sharma)
General Secretary

Dear Comrades,

CELEBRATING THE 55TH ANNIVERSARY OF BANK NATIONALISATION DAY

July 19, 1969, changed the landscape of Indian banking when the then Indian Prime Minister Mrs. Indira Gandhi took a landmark decision by nationalising 14 major commercial banks, ushering in an era of socio-economic reforms aimed at poverty eradication, financial inclusion, and increased access to financing for the underprivileged sections of the society. This visionary move has been a cornerstone in shaping the future of India's banking with public sector banks (PSBs) emerging as the vehicles of socio-economic transformation.

As we approach the 55th anniversary of Bank Nationalisation, we must celebrate this occasion keeping in mind the renewed challenges on the ownership structure of our public sector banks while displaying our unity, solidarity, and strength.

The Confederation is in the forefront of the struggle ever since the initiation of the so-called policies of economic reforms when an ideological cover was provided to the doctrine of bank privatisation by the recommendation of two successive committees headed by Shri M Narasimham (Narasimham Committee recommendation). The waves of struggle launched by the Confederation independently and along with the constituents of UFBU has pushed back the agenda of bank privatisation for nearly a decade.

We are aware that after the formation of the Reserve Bank of India, in 1935 and up to the period of India being independent (1947), there were 900 bank failures in our country. From 1947 to 1969, 665 banks failed. Even after 1969, 36 banks failed which included bigger banks like Global Trust Bank and Yes Bank. They were all rescued by public sector banks.

The nationalisation of 14 banks in 1969 followed by nationalisation of 6 banks in 1980 with the SBI the largest lender already in the public sector since 1955, tens of thousands of branches were opened in the remote corners of the country. Job opportunities were created for a large section of educated youths and bank finance ensured revolution in agriculture. Public sector banks became an excellent tool for the economic progress of the country. PSBs are joined in their efforts by RRBs from 1975.

The social commitment of PSBs continued during the pandemic days by providing a special loan package to Indian industry which halted recession. PSB's also prevented the collapse of Indian economy during global meltdown of 2008. In line with its social commitments nearly 50 crore new customers are brought within the ambit of PSB and RRB banking space by opening of accounts under PM Jan Dhan Yojana Scheme.

In a bid towards privatisation, the government changed their strategy and merged Public Sector Banks bringing their number down to 12. This is a form of backdoor privatization. While some financial experts may argue that Bank mergers enhance operational efficiency and financial stability, there are significant concerns about the adverse effects of PSB mergers, particularly the broader socio-economic implications for the common citizen of the country.

One of the most immediate consequences of PSB mergers has been the erosion of their market share. Without increasing their efficiency, the share of the public sector banks in total deposits has decreased from 66 percent at the end of 2017-18 to 59 percent in December 2023. The share of public sector banks in industrial credit also shows a steady decline. Significantly, PSBs are way ahead in financing to agriculture exposing the real face of private sector banking.

As these banks undergo restructuring and integration, private banks have aggressively capitalized on the transitional period to attract customers. While private banks and NBFCs may attract customers with initial offers and seemingly better service, the long-term implications for common customers are less favourable. Private banks tend to charge higher interest rates on loans compared to PSBs. This practice disproportionately affects individual borrowers and small businesses, who may find themselves paying significantly more for their loans over time. In contrast, PSBs have historically offered more competitive rates, aiming to serve a broader section of society, including those with limited financial means.

The prioritization of bigger clients by larger banks post-merger leads to reduced access to bank credit for smaller businesses, driving them towards NBFCs. The higher interest rates and potential for exploitative practices in the NBFC sector places significant financial strain on SMEs, limiting their growth and sustainability.

Despite its best efforts to justify the agenda of privatising the Public Sector Banks and hand it over to the private players, the country is witnessing the following challenges which the Government must address urgently:

- India has approximately 600,000 villages, out of which over 5 lakh remain unbanked. As of recent reports, only around 74,000 villages have access to banking services.

- Access to credit for the rural poor in India remains a significant challenge. According to recent reports, about 70% of the rural poor do not have a bank account, and approximately 87% lack access to credit from formal sources such as scheduled commercial banks. This indicates that a substantial portion of the rural population relies on informal credit sources, which often charge exorbitant interest rates

- It is alarming that the share of small borrowers with loan up to Rs 2 lakh is going down drastically in numbers as well as amount of Credit limits sanctioned. Only 7.5% of the whole credit is less than Rs 2 lakh which is the reason for sending people to the modern-day money lenders.

- According to reports, a loan repayment crisis has emerged in rural India due to sluggish economic recovery, weak consumer spending, and high-interest rates imposed by Non-Banking Financial Institutions (NBFIs). The decline in tractor and two-wheeler sales indicates reduced rural consumption, while unpredictable monsoon patterns have further heightened uncertainties. Over time, rural borrowers have increasingly depended on NBFIs, which charge high-interest rates. Unlike public sector banks that focus on priority sector lending, NBFIs prioritise profit and quickly become cautious at the first signs of financial trouble. This situation underscores the urgent need to reassess the promotion of NBFIs over traditional bank branches. Additionally, lenders have identified micro, small, and medium enterprises (MSMEs) as another sector severely affected by current uncertainties.

- Typically, NBFCs secure loans from PSBs at an interest rate of about 10%, but they lend these funds at rates of 24% or higher.

- The recent report on world economic inequality highlights the growing divide between the rich and the poor in India. Privatization of nationalized banks and the trend towards consolidation under larger banking entities are not solutions to the underlying problems in the financial landscape. Privatization shifts the focus from social and financial inclusion to profit maximization, which can undermine the broader goals of economic equity and accessibility.

The merger of PSBs and their privatization is not the panacea for the financial sector's challenges. There is enough empirical evidence which corroborates that despite staff shortages and inadequate infrastructure PSBs are operating efficiently in all parameters. Instead of merging and privatizing PSBs, there is a pressing need to nationalise and strengthen all scheduled commercial banks in the country for a prosperous nation and inclusive growth.

To commemorate this historic day, we must initiate various organisational programs and activities, both at the ground level and on social media, to highlight the pivotal role played by PSBs in nation-building and to resist any move to privatize these assets. We should demand merger of RRBs with sponsor banks and nationalisation of all scheduled commercial banks in India.

Affiliates are requested to hold press meets at State Capitals, District headquarters, reproduction of circular in local languages, social media campaigns to mark the occasions and also to be in a state of readiness for any agitational program to protect the interest of the nation and safeguard the public sector banks.

Let us unite and demonstrate our collective strength and commitment to preserving the public sector character of Indian banking for the greater good of our nation.

With greetings,

Sd/-

(Rupam Roy)
General Secretary

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