Banking Sector Reforms – Retrospect and Directions for Future

In the Name of Banking Sector Reforms !

Banking Sector plays an important role in the development of the economy of the country and creates impact on the lives of the people. Countries with robust banking sector have become developed economies. Agriculture, trade and industry depend on the Banking Sector for their growth. As on 2013, Australia has 31.8 bank branches per one lakh population, Belgium 42.4, Brazil 47.3, Bulgaria 61.2, Canada 24.4, Cyprus 97, France 38.8, Italy 64.4, Japan 33.9, New Zealand 33.3, Spain 85.1, Switzerland 48.8, United States 35.3 whereas India has only 11.4 branches per one lakh population. Even after 67 years of Independence India remains an under banked country. Only 58% of the Indian House holds and only 31% of the Indian population have bank accounts. For the country to flourish and become one of the leaders of the world economy, our country needs better banking facilities with the dominance of public sector banks which alone practice social banking and cater to the lower strata of the society.

Now let us analyse the growth of the banking sector with a look into the past before independence, after independence and after 1991 when the so called reforms started , the present status and put forward our vision for the future.

Before Independence

Before Independence money lenders had a field day. Central Banking Enquiry Report 1929 explains how the farmers who constituted the majority were totally dependent on the money lenders who were the one's financing inputs for agriculture, purchase the produces and had hold on the land which was mortgaged to them formally or informally. Punjab's legendary scholar Malcom Darling stated in 1925 that "the Indian peasant if born in debt, lives in debt and dies in debt". The exploitation of the money lenders who were also the land lords had made the farmer totally dependent on them in the absence of a Banking facility.

Studies have proved that rural credit always has been a cushion against shocks like draught, flood etc. Credit is needed to smoothen out the asymmetry between the flow of earnings and cyclisity of expenditure. Each of the basic needs of health, education, food and social security, apart from the working capital and long term investment requirements of rural livelihood create a major demand for credit.

Before you do anything, stop and recall the face of poorest most helpless destitute person you have seen and ask yourself, is that what I am about to do going to help him." - Mahatma Gandhi

EVOLUTION OF INDIAN BANKING

In a nutshell when India attained Independence in 1947 it inherited a weak, desperate and unwieldy banking structure. Other than Imperial Bank of India, there were many Indian

Joint Stock Banks but they did not have adequate capital and due to unhealthy business practises 205 banks went out of business during 1947 to 1951.

AFTER INDEPENDENCE

The Banking Companies Act 1949 was amended 10 times between 1950 and 1967 trying to strengthen the banking system. As a result between 1960 and 1969 there were 48 compulsory mergers, 20 voluntary amalgamations, 17 mergers with State Bank of India, 125 transfers of assets and liabilities, all involving 210 banks. The number of banks which was 567 in 1951 came down to 295 in 1961 and finally 91 in 1967.

FOCUS ON CO-OPERATIVES

The historic All India Rural Credit Survey carried out in 1954 showed that formal credit institutions provided less than 9% of credit needs in India. Money lenders, Traders and rich land lords handled more than 75% of rural credit. Between 1950's and 1960's a way forward was possible through co-operative societies. Their share in rural credit was less than 5%. But it rose to 20% in 1971.

Today India's co-operative structure has over 13 crore members including 6 crore borrowers and is one of the largest rural financial systems in the world. Around one lakh primary agriculture credit societies can be regarded as the bed rock of India's rural economy. However the credit societies have never attained the enormous potential opened up by their vast outreach because of poor governance and political interference. While they were originally supposed to be member driven, democratic, self governing, self reliant institutions, Co-operatives have constantly depended on Government for their basic functions. State Governments have become the dominant share holders, Managers, Regulators, Supervisors and Auditors. Savings and credit functions go together and provide strength to the co-operatives all over the world which has been missing in India. Dominance of richer people and rural elite continues in these institutions even today.

SOCIAL ORIENTATION FOR BANKS

In furtherance of the objectives of Regional and Functional spread of Banking, the social orientation of commercial banking was conceived in the founding law of Reserve Bank of India itself which, as a pioneering provision, entrusted to it the responsibility of enlarging the supply of agriculture finance through co-operative institutions or through scheduled commercial banks. On the basis of the recommendations of the Rural banking enquiry committee (1950) for involving commercial banks in rural credit, the then Imperial Bank of India agreed to open 114 offices in rural and semi urban areas (against 274 branches recommended) but could open only 63 branches in 5 years from July 1951. **It was therefore thought that without the states intervention, banking facilities could not be extended to such areas. Hence the Imperial Bank of India was brought under Public ownership as State Bank of India from 1955 with the Central Bank (RBI) holding 92% of its shares with statutory responsibility to establish atleast 400 additional branches within a 5 year period.** It not only fulfilled the target but also went beyond the targets. In September 1959, major state associated Banks of Princely states were taken over and vested with the State Bank of India as subsidiaries numbering 7. Still weaknesses of the Commercial Banking system, such as poor population coverage of Bank branches, deposits and credit, urban concentration, vast spectral credit gaps, excess control over banks by Industrial and commercial houses, and unduly poor capital base continued. This led to a re orientation of the Banking System. Between 1965 and 1969 social control over commercial banks was brought in by the Government. They were

1. Introduction of the credit authorization scheme requiring banks to obtain prior authorization for granting fresh credit limits of Rs.10 million or over to any single party so as to align credit policy more closely with the five year plan objectives.

2. The initiation of social control scheme in 1968 with the objectives of achieving a wider spread of Bank Credit, preventing its misuse and directing a larger volume of credit to priority sectors and

3. The statutory reconstitution of commercial bank boards with a majority representation to informal sectors

This was done on the basis of the experiment in France, integrating credit allocation with their system of indicative planning which became a success. The decade 1955 to 1965 saw a series of steps towards building a strong institutional structure for promoting medium term and long term loans for industry and agriculture through public sector. These include the nationalisation of insurance sector in April 1955, setting up of an Industrial Finance Dept within RBI in 1957, administering a credit guarantee scheme for small scale industries in July 1960 and promotion of many industrial credit institutions. In 1955, Industrial credit and Investment corporation of India was established. In 1958, re-finance corporation was set up. In 1964, Industrial Development Bank of India and Unit Trust of India were promoted. RBI also set up National Industrial Credit (Long term operations) fund from the year 1964-65. In the sphere of agriculture credit 2 funds were set up in 1955 called National Agricultural Credit (Long terms operations) fund and National Agricultural Credit (Stabilisation) fund. From out of the profits of the RBI to support the co-operative credit structure and the agriculture re finance and development Corporation was set up in 1975.

"Our principal problem will be how to eradicate poverty from our country. That will require a radical reform of our land system, including the abolition of landlordism." - Subhash Chandra Bose

BEFORE NATIONALISATION

The Socio political environment of 2nd half of 1960s reflected a sense of disenchantment in the growing inequalities spawned by the development process – a sense which was highlighted by a series of studies such as the reports of monopolies enquiry commission and Mahalanobis committee on distribution of income and levels of living (1964). R.K. Hazari submitted a detailed report to the planning commission in September 1967, wherein he stated “so long as many of the major credit institutions, are under direct control and/ or influence of big industry and unless the linked control of the industry and bank in the same hands is snapped, the nationalisation of banks, reducing concentration of economic power with a few was not possible".

Besides interlocking of influence and interests which was a bane of the banking system then, the actual operations of banks were characterized by serious inadequacies. First, the coverage of the branch network was unduly low compared with the size of the population - an average of one branch office for 65,000 persons in the population, whereas the developed-country norm was one branch per 8,000 population. Second, the urban orientation of the banking system was blatantly obvious. At the end of June 1969, there were just about 1,832 (or 22.2. per cent) out of 8,262 bank branches located in rural areas. Even this spread was achieved because of the accelerated branch banking policy adopted by the State Bank of India, which operated 629 branches in rural areas. Third, concentration was excessive even in urban areas. As of April 1969, there were 617 towns without any commercial bank branch, of which 444 towns were not served by any bank at all. The five metropolitan cities of Bombay(now Mumbai), Calcutta(now Kolkata), Delhi, Madras(now Chennai) and Ahmedabad accounted for as much as 46 per cent of total bank deposits and 65 per cent of total bank credit as at the end of 1967. Fourth, the most disconcerting aspect of the banking structure was the sectoral distribution of bank credit. The share of agriculture in total bank advances in 1951 was 2.1 per cent; and even this figure had declined to 0.2 per cent by 1965-66. After the move to impose social control, it edged up to 2.1 per cent in March 1967. In the case of industry, on the other hand, its share off bank credit rose from 30.4 per cent in 1949 to 52.7 per cent in 1961 and further to 62.7 per cent in March 1966. Fifth, the financial stake of the shareholders in banks was almost negligible. For major banks, paid-up capital had constituted just about 1 per cent of total bank deposits. Finally, professionalisation of the banking cadre and the system of training for that left much to be desired resulting in a serious shortage of trained, qualified and experienced professional managers. Overall, an essential feature of the banking system appeared to be financial exclusion.

OBJECTIVES OF BANK NATIONALISATION

In many countries in Europe, banking development in the post-war years was noteworthy in that it took account of the vital differences between banking and other industries. Recognising the sensitive nature of the banking industry, many countries with predominantly capitalist economic structures thought it fit either to nationalise their banks or to subject them to rigorous surveillance and social control. France, Italy and Sweden were typical examples in this respect.

Thus, the environment, motivation and rationale for the nationalisation of banks existed and justified the action in 1969. The declared objectives of nationalization were: <u>(i) wider territorial and regional spread of the branch network; (ii) better mobilisation of financial savings through bank deposits; (iii) re-orientation of credit deployment in favour of small and disadvantaged classes all along the production spectrum; (iv) removal of control by a few business houses (and that too with microscopic capital stakes), (v) the conferring of a</u>

professional bent to bank managements, and (vi) the provision of adequate training and reasonable terms of service for bank staff. It bears stating that public ownership of banks serves a number of overarching objectives. By subordinating the profit motive to social objectives, it allows the system to exploit the potential for cross subsidization, to direct credit to targeted sectors, despite differential costs, and disadvantaged sections of society at differential interest rates. This permitted the fashioning of a system of inclusive finance that could substantially reduce financial exclusion. And by giving the state influence over the process of financial intermediation it allowed the government to use the banking industry as a lever to advance the development effort. In particular, it allowed for the mobilization of technical and scientific talent that could deliver both credit and technical support to agriculture and the small scale industrial sector. This multifaceted role of state-controlled banking was also conceived to be a supply-leading one with emphasis on building a financial structure in anticipation of real sector activities, particularly in underdeveloped and under-banked regions of the country.

In the circumstances, any attempt at significantly altering the deployment of commercial bank credit required purposeful action on three fronts: (i) rigorous control over the pre-emption of credit by the medium and large-scale industries and also by the private trade; (ii) positive policies and instruments for directing credit in favour of the designated 'priority' areas; and (iii) the development and maintenance of a sound framework of instruments and institutions to fulfil those objectives. The nationalisation of banks was expected to vastly speed up branch expansion; help mobilise deposit resources from all parts of the country and from all sections of the people; meet diverse production needs irrespective of size, assets and the social status of borrowers; create fresh opportunities for backward areas; and finally, ensure that large borrowers did not have more access to the resources of the banks than was actually required for productive use and to prevent the use of credit for speculative and other unproductive purposes.

"It is but equity...that they who feed, clothe and lodge the whole body of the people, should have such a share of the produce of their own labor as to be themselves tolerably well fed, clothed and lodged."***-Adam Smith, The Wealth of Nations, 1776***

Nationalisation – A move forward

14 of India's largest scheduled commercial banks were nationalized in 1969. The RBI now acquired a more direct and activist role in deciding banking policies with "a larger social purpose" and the need to "serve national priorities and objectives such as rapid growth of agriculture, small industries and exports, raising of employment levels, encouragement of new entrepreneurs and development of backward areas".

The 1961 Census showed that nearly 50 percent of India's towns and almost none of our villages had bank branches. In 1969 not even 1 percent of India's villages were served-by commercial banks. While industry accounted for a mere 15% of national income, its share in commercial bank credit was nearly 67%. On the other hand, agriculture that contributed 50% of GDP virtually got nothing from banks.

Nationalization was aimed at redressing these inequities. Banks needed a license from the

RBI if they wanted to open a new branch. After nationalization, branch expansion was deliberately directed towards previously unbanked or under-banked rural and semi-urban areas. In 1980 6 more banks were nationalized.

Every palace that one sees in India is a demonstration, not of her riches, but of the insolence of power that riches give to the few, who owe them to the miserably requited labours of the millions of the paupers of India. - Mahatma Gandhi

Reaching out to Unbanked Areas

The RBI created a comprehensive list of unbanked locations in India that it circulated every few years to all banks. In 1970, the RBI made its first "socially coercive" licensing policy. For every new branch in an already banked area (with one or more branches), each bank would have to open at least 3 branches in unbanked rural or semi-urban areas. In 1976 Regional Rural Banks (RRBs) were created. RRBs were set up to develop the rural economy by providing "credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs"

The number of rural branches of banks (including RRBs) increased from a mere 1443 in 1969 to around 35,000 in the early 1990s. Most of this increase was in unbanked areas. The number of banked locations rose in this period from around a thousand to over 25,000. The share of rural branches went up from 18 to 58 percent during the same period.

Another major impetus to rural credit was provided by the establishment of the National Bank for Agriculture and Rural Development (NABARD) in 1982. NABARD was set up as an apex Development Bank with a mandate for facilitating credit flow for agriculture, rural industries and all other related economic activities in rural areas

In order to ensure that rural deposits were not used to just increase urban credit, the RBI directed that each rural and semi-urban bank branch had to maintain a credit-deposit ratio of at least 60%. Between 1969 and 1987, rural credit as a proportion of total credit went up from 3 to 15 percent. Rural deposits as a share of total deposits went up from around 6 to over 15 percent. The credit- deposit ratio went up from under 40 percent in 1969 to nearly 70 percent in 1984 and remained over 60 percent until the early 1990s. Now it has raised to 78% overall but rural credit is still low.

Priority Sector Lending

With a concern of credit not reaching to weaker and unreached sector, the RBI came up with **Priority Sector Lending**

Other than directing credit to hitherto unbanked *geographical* regions, the RBI also tried to influence the *sector* of bank lending. In 1972, certain "priority" sectors were identified. These included agriculture and related activities and small-scale and cottage industries. A target of 33% lending to the priority sector was set in 1975. In 1979, the target was raised to 40%. In 1980, sub-targets were set: 16% of lending was to go to agriculture and 10% had to be targeted to "weaker sections". The share of priority sector in total credit of commercial banks went up from 14% in 1969 to around 40% by the end of the 1980s. The share of agriculture had reached 19% by 1985 and remained around that figure until 1990. The number of agricultural loan accounts increased from around 1 million in the early 1970s to nearly 30 million by the early 1990s. Within agriculture, 42% of the credit went to small and marginal farmers.

Ceiling on Interest Rates

Perhaps the most important measure of social coercion used by the RBI was to fix ceilings for every size-class of loans for the various priority sectors. The scheme for providing cheaper credit to weaker sections was started in 1974. For this a ceiling of 4 percent interest per annum was fixed. Banks had to provide 1 % of their total loans within the priority sector at this rate. In 1978, the RBI directed commercial banks and RRBs to charge a flat rate of 9% on all priority sector loans, irrespective of size. Immediate payments were not to be mandatory for small rural borrowers. It was clearly recognized that cost of credit, rather than access, was the key constraint facing the rural poor. After all, the local moneylenders were all over the place but the way they operated created more problems for the vulnerable rural population.

In 1954, Pandit Jawaharlal Nehru had described public sector enterprises (PSEs) as ‘temples of modern India’. PSEs were conceived as instruments to bring socio-economic transformation of the country. Those were the mainstay for self-reliant growth. Some important objectives were to create infrastructure, absorb technology, encourage innovation, generate employment and achieve certain social objectives.

FRUITS OF NATIONALISATION-GROWTH, GEOGRAPHICAL SPREAD AND FUNTIONAL REACII

Bank nationalisation and the associated public policies on banking and financial sector development were thus predicated on the strong assumption of the need for promoting financial intermediation by building institutions, expanding their geographical spread, mobilising savings, and ensuring a better regional, sectoral and functional reach of institutional credit in India. Such a system of supply-driven institutional development ·could **neither be left to market forces nor to the initiative of private entrepreneurs**. Also, the broad objectives of banking, as set out above, were intertwined, for one could not be achieved without the success of others. The functional reach of credit, for instance, could not be attained without the geographical spread of banks as well as mobilisation of local savings.

Even the ardent critics of India's growth strategy would admit that what the country achieved in the area of financial sector development before the present reform process began, particularly after bank nationalisation, was unparalleled in the financial history of any other nation in the world. The presence of nearly 62,000 Commercial bank branches in the country, of which over 35,000 (or over 58 per cent as of March 1991) were in rural areas, within a short span represented an unprecedented growth of commercial banking in terms of both geographical spread and functional reach. As on 31st March 2013, there were 102343 Bank branches of which 37953 (37%) were in rural areas, 27219 (26%) in semi urban areas, 19327 in Urban centres and 17844 in Metros. Still average Bank Br per one Lakh population is only 10.4. Apart from commercial and co-operative banking, the vast network of term- financing, investment-and insurance institutions promoted at the all-India, regional and state levels can only be considered as novel, innovative and forward looking. The rapidity with which and the diversified manner in which they grew, the confidence, stability and certainty that they imparted in savers' minds, and the societal perspectives which guided their initial operations, were all made possible because the banking and financial system was primarily in the public sector and not controlled by a few industrial houses and also not subject to the vicissitudes of the market place. The system has, therefore, promoted financial intermediation of a high order and nurtured a vast army of banking personnel, pushed up household saving in financial assets, extended vast investment and inventory credit to medium and large-scale industries in the private and public sectors but without the industry-banking interlocking that characterized the system earlier, promoted new entrepreneurship, and also attained extensive credit reach to several million borrowers hitherto neglected, especially in agriculture, small-scale industry, small business and other informal sectors. The development of varied institutions and instruments with vast diversification of the money and capital markets have been the hallmark of the post- nationalisation period.

Second, combined with the expansion of the bank branch network, steady increases were recorded in the share of rural areas in aggregate deposits and credit. From 6.3 per cent in December 1969, the rural deposit share touched 15.5 per cent in March 1991 and the credit share rose from 3.3 per cent to 15.0 per cent. More significantly, with the target credit-deposit (C-D) ratio set at 60 per cent, the C-D ratios of rural branches had touched 64-65 per cent on the basis of sanctions. In fact, if migration of bank credit from the place of sanction to the place of utilization is taken into account, the C-D ratio for rural branches had ranged from 85 per cent to 97 per cent by March 1991. As on 31st March 2013, the CD Ratio has reached 72.7% of which Rural is still 59%, semi urban 51.8%, Urban 58.8% and Metro 84.9%. So the Deposits collected in Rural and Semi Urban areas are used to finance the metro customers.

Third, three historically underbanked regions, also underdeveloped economically, namely, north- eastern, eastern, and central regions, had received special attention in the branch expansion programme of scheduled commercial banks until the 1990s. These three regions accounting for about 50 per cent of the country's population, had about 25 per cent of bank branches in 1969. By March 1992, their proportion of bank branches had shot up to 42.6 per cent and the number from a total of 2,068 branches to 26,439. Alternatively, the proportion of bank offices located in relatively under-banked states or BIMARU states improved during the period from 23.0 per cent to 34.0 per cent. This improvement is also reflected in a sizeable reduction in the average population covered by each bank office in the under-banked and moderately-banked states. Besides, it is in these backward states that the shift in the share of bank branches in favour of 'rural' areas has been much more pronounced. Another factor which is claimed in official circles to have contributed to an improvement in C-D ratios of regions and states has been the banks' effort to supplement bank credit by investment in securities and bonds of state governments and state-level institutions like electricity boards, improvement trusts, local boards and others. This occurred to a greater extent in underdeveloped states than in the relatively developed states.

Fourth, the improvement in banking development in the post-nationalisation period was reflected in a large number of districts sporting noticeably higher growth in bank deposits, higher credit growth and improved C-D ratios. A classification of all the districts in the country and their rural branches by the size of their credit-deposit ratios confirms the phenomenon of a growing number of districts in various regions having experienced noticeable improvements in their ratios of credit to deposits until the beginning of the 1990s. The number of districts enjoying C-D ratios of 60 per cent and above shot up from 136 in March 1980 to 209 in March 1985; thereafter it remained in the range of 163-177 until March 1992. Such improvement took place in rural centres of districts too.

Fifth, sectorally a major achievement of the banking industry in the 1970s and 1980s was a decisive shift in credit deployment in favour of the agricultural sector in particular. From an extremely low level at the time of bank nationalisation, the credit share of the sector had moved to nearly **11** per cent in the mid-1970s and to a peak of about 18 per cent at the end of the 1980s which was the official target set.

Sixth, next to agriculture, the small-scale industrial sector occupies a pivotal position in terms of employment and output share in the economy. Apart from sectoral dispersal and wider promotion of entrepreneurship, the small-scale industries have a regional dimension in that the SSI units are scattered all over the country. Immediately after the introduction of social control and subsequent bank nationatisation, banks found the small-scale industries a lucrative target for lending. Hence the share of SSI units in total bank credit shot up from 6.9 per cent in June 1968 to 12.0 per cent in June 1973. Thereafter, the share was sustained in the range of 11 to 13.5 per cent until the early 1990s.

Finally, data on the trends in the number of borrowal accounts - overall and small borrowal accounts - are reflective of a similar positive trend. Immediately after bank nationalisation and for the next two decades, there occurred an upsurge in small borrowal accounts. Between December 1972 and June 1983, there were 21.2 million additional bank loan accounts nursed by the scheduled commercial banks, of which 19.8 million or 93.1 per cent were accounts with credit limits of Rs 10,000 or less. This trend continued for another decade up to March 1992 (despite the loan *waiver* scheme *effective* March 15, 1990).

With a view to taking account of the impact of inflation, the cut-off limit for small borrowal accounts in the RBI's reporting system was raised to Rs 25,000 in December 1983. Between December 1983 and March 1992 when there were another 38.1·million of additional total bank accounts, the number of small borrowal accounts with credit limits of Rs 25,000 or less increased by 36.0 million or almost 95 per cent of the total increase

This ability of the scheduled commercial banks to service small borrowal accounts - a peak of over 62.5 million with credit limits of Rs 25,000 or less from various sectors and regions of the economy, could be said to be one of the outstanding achievements of bank nationalisation. It is this aspect of banking development that aroused the aspirations of the common man and gave him a sense of participation in the development process.

First bread and then religion …. I do not believe in a God who cannot give me bread here, giving me eternal bliss in heaven ." Swami Vivekananda

Economic Development Impacts

A study of 85 randomly selected districts shows that bank branch expansion accelerated the pace of private investment in agriculture in the 1970s. A 10% increase in bank branches raised investment in animals and pumpsets by 4-8%. Demand for fertiliser also went up with bank expansion.

Bank branch expansion into both banked and unbanked areas has a significant positive impact on the growth of non-agricultural output. Expansion of banking into unbanked locations contributed to the growth of the small business sector. This led to an increase in the share of non-agricultural labour in the total workforce as also a rise in the real wages of agricultural labour. Most significantly, expansion of banks into unbanked areas reduces aggregate poverty and the rural-urban poverty difference. It is also found to reduce aggregate inequality in the economy.

1991- Beginning of destruction in the name of reforms and after

Without analysing the benefits of nationalisation which increased access to banking, credit availability to the poor (though not adequate) and the impact on development of the economy, the Government which started the neo liberal economic policies asked RBI to set up a committee on the financial system called The Narasimham Committee I. The Narasimham Committee placed its report centrally within the broader process of "liberalisation" of the Indian economy. The Committee's recommendations were influenced by the policies of IMF and World Bank. It took a clear view against using the credit system for social objectives and argued that directed credit programs should be slowly removed. It wanted the branch licensing policy to be changed and regulation on interest rates removed. Future branch expansion was to depend on "need, business potential and financial viability of location". In order that banks could compete globally, it wanted major changes that were market-driven and based on profitability. It also wanted a larger role for private Indian and foreign banks. This was followed by Narasimham Committee II, Raghuram Rajan Committee, Anwarul Hoda Committee, Committee on financial sector assessment, Kandhelwal Committee etc whose recommendations revolved around some common issues such as:-

- Government stake in Public Sector Banks to be brought down to 33% and less without further delay.
- Merger / acquisition of Public Sector Banks for "consolidation".
- More liberal entry of the foreign banks in India.
- Share of FDI in Private Banks to be raised and bringing Nationalised Banks under Companies Act.
- Proportionate voting rights to the shareholders.
- New banking licenses to industrial and corporate houses.
- Phase out priority sector lending.
- Huge outsourcing of Bank's jobs, though permanent and perennial in nature.
- Promote Asset Reconstruction companies.
- Amendment of Banking Laws accordingly.
- Reduction of staff strength sharply.

Banking Laws (Amendment) Act. 2012:

Within this policy frame work the Banking Laws (Amendment) Act 2012 has been introduced. This would facilitate - (i) merger of Public Sector Banks, (ii) takeover of Indian Banks by foreign entities, (iii) dilution of Government share holding through further issuance of share, (iv) provide ample scope to the Private Shareholders to tighten grip over functioning and policy decision of Public Sector Banks, (v) entry of new banks in private sector.

Merger of Public Sector Banks:

As an integral part of financial restructuring, merger of public sector banks is the new target of the government. With the argument that to enable Indian banks to compete in the global banking system they have to have enormous size and strength and for that they propose that merger and consolidation is the way out. We are apprehensive that such merger would close many bank branches and reduce their staff. The close relation between bank and its clients would be lost. The big banks would essentially serve the elite customers and corporates. Given the craving of the government for international capital the situation might lead to take over of our banks by multinational mega banks.

Bank Licenses to Corporates:

I think, the real problem in the financial sector is issues of conflict of interests. And when you have corporate opening their won banks, you are opening a venue for conflict of interests. " – Joseph Stiglitz

Despite RBI's reservations the government has pressed the former to initiate the process. The Standing Committee on Finance, under the Chairmanship of Shri Yashwant Sinha has unambiguously opposed the move as licensing the corporate may lead to misuse of bank's fund. Earlier renowned economist Joseph Stiglitz and even the IMF had opposed giving license to corporates, fearing it might lead to conflict of interest and defeat the very purpose· of the course. The earlier record in this regard had been adverse. In 1993 around 11 private banks were given license. Most of the banks - such as Global Trust Bank, Centurian Bank and Times Bank had to close their shutters. The banks in India are mainly repository of household savings. The corporates are main borrowers. Obviously, their becoming owners of the banks could lead to misuse of funds. The United Forum of Bank Unions has expressed its deep resentment against issuing of licenses to corporate.

Before we go into the effects of these so called reforms, let us have a look at what has happened in the global financial system with focus on the US financial crises.

LESSONS TO BE LEARNT

International Financial Crisis: The onset of financial and market globalization was considered to bring magical deliverance to the poor and weak economies of the developing nations. This belief was aided and abetted by the worldwide media campaign and the huge growth and expansion of Information Technology. **The focus and thrust of the economy shifted from real sector to superficial speculative domain that basically dealt in asset transfer and phoney transactions.** The easy availability of finance and credit, the spurt in consumerism, and mass production and marketing of electronic gadgets, the unprecedented use of advertisement and expansion of entertainment and leisure industry lent credence to this belief. However, in quick succession came the realization that the process has facilitated the market take-over by the international finance and corporate houses who would share a part of their booties with their local counterparts. The drive was piloted by the US and the Washington based international institutions.

The national governments were made to acquiesce in and legalize the loot. Right-wing economists and academics produced voluminous literature to justify the shady process. State intervention in the economy was desecrated. Free market became the mantra of the day.

The dubious process made atrocious transfer of wealth in the hands of corporate and financial magnets. Public money was plundered and offered to private agencies. National economies were vandalized. Under the monstrous pressure of the international finance capital, national parliaments were bent to pass legislations curbing their own economic sovereignties.

The so called Meltdown was tailor made. The Sub-prime lending was deliberately made. Since there was huge demand for housing, loans were given to the parties without verification of identity and repaying capacity. These loans were securitized and such securities were sold out to all and sundry. All the participants in these transactions, the mortgage companies, the banks, the insuring agencies knew pretty well that the innate quality of the products they were selling were worthless. What they did was to distribute the risk worldwide. Thus the crisis was made global. The governments and the central banks remained mute spectators to this unholy arrangement. **One of the prime factors behind this apocalypse was serious disruption of banking norms and practices and reducing the central banks to mere governmental tools in the United States and Europe subsequently.** This had resulted in collapse and bankruptcy of most famed and largest banks, mortgage lending institutions and insurance companies of the world. Along with them innumerable financial institutions were ruined. More than 400 banks have collapsed in US.

European Debt Crisis: The International Finance Crisis turned in late 2009 into a Sovereign Debt Crisis in Europe. Huge sums were provided by various governments out of their public exchequer to bailout the multinational banks and corporate houses. On the other hand they cut down or withdrew the social welfare schemes and social security measures which made peoples' lives more miserable and further reduced the health and the growth of these economies. The European Debt crisis was the result of economic recession, falling government revenues coupled with corporate and bank bailouts by the state exchequer. Sovereign Debt default became reality for certain countries and loomed large for others. *The World Economic Situation and Prospects* 2012 released by the UN notes the growth **slowdown of the world economy, high unemployment and risk of another round of recession.**

Discontents and Protests: The financial and economic crises were culminations of a long drawn process. The Europe continent was seething with popular movements across the nations one after another since early 2000. It witnessed long and strong strike actions by the working class against pension reforms in France, Germany, Italy and England during 2004-06. The French workers went on continuous strikes which could only be compared with actions of British workers during 1984-85. In the subsequent years, strike actions by the workers spread to Belgium, Norway, Ireland, Greece and Spain.

In Greece two big confederations belonging to the private and public sector jointly organized seven one-day general strikes in 2010. Portugal also experienced two huge strike actions in 2010 by 3 million workers. In Spain the confederations organized massive strike on September 29, 2010. Railway and Transport workers in Italy observed total strike. The United States gave birth to a global movement namely 'Occupy Wall Street' that immediately spread to Europe and other countries with the rousing slogan "they are just one percent, we are ninetynine". It originated against the bank-bailouts, corporate-plunders and unchecked power of the Wall Street and turned into a broad anti-capitalist, antiexploitation movement.

The whole of US and Europe have been witnesses to sporadic and vigorous strikes and movements of workers against wage cuts, retrenchment, and unfair practices of various authorities during these years. The various governments have taken austerity measures to compensate against the charity made to banks and corporates out of the public funds. These austerity measures are actually meant for cutting the benefits and incomes of the workers. The workers have vigorously resented the moves but in most of the places they have faced brutal repression by the state, which did not hesitate to use repressive state organs to break workers' resistance.

The governments of more than half of the European Union's 27 member states have fallen or been voted out of office. In most cases, a direct line could be drawn between the government's exit and the so-called austerity measures put in place because of the economic situation. In fact, this has manifested the wrath of common people and the working class against the pro-corporate policies of these ruling classes and the regimes.

During the period there had been popular uprisings sweeping across the Arab world which was undoubtedly a major breakthrough in the otherwise politically impervious region. They were provoked by soaring inflation, joblessness and tyrannical rule. Within a short span rulers have been forced out from power in Tunisia, Egypt and Yemen. Civil uprisings had broken out in Bahrain and Syria. Major protests took place in Algeria, Iraq, Jordan, Kuwait, Morocco and Sudan. The revolt and the movement expressed explicitly the desire of the people for democracy and freedom.

Latin America: Towards a positive alternative: Opposite to the imperialist economic policies pursued by the advanced economies of US and Euro zone most of the Latin American countries have chosen a Leftist path. They have deliberately and consciously rejected the US led Liberalization and Globalization which promoted open market and privatization. They *have* rejected the policy prescription given by the IMF-WB-US Treasury Department, also known as the 'Washington Consensus' and made a clean break with them. **During the last decade Venezuela, Chile, Brazil, Argentina, Dominican Republic, Uruguay, Bolivia, Honduras, Nicaragua, Ecuador, Paraguay. El Salvador and Peru have chosen pro-people and democratic governments. Bolivia has nationalized its oil and gas reserves. Ecuador and Venezuela have annulled their energy contracts with international oil-cartels. The latter has also nationalized its banks.** We hopefully look forward to the onward march of Latin American people which might lead the international working class movement to a positive direction.

It is surprising that the Governments which have been in power in our country from 1991 to till date have not learned any lesson from the International Financial Crises. Governments led by Congress under UPA as well as led by BJP under NDA have followed almost similar economic policies especially in the Banking sector. Whereas the Congress led Government started the policy of liberalisation and privatisation,

BJP led Government introduced a separate ministry for disinvestment of public sector. Now, let us have a look at the consequences of Banking Sector reforms.

The economy anarchy of capitalist society as it exists today is, in my opinion, the real source of the evil… Private Capital tends to be concentrated in few hands …(resulting in) an oligarchy of private capital, the enormous power of which cannot be dffectively checked even by a democratically organised political society. – Albert Einstein

ELEMENTS OF BANKING SECTOR REFORMS

Neoliberal banking reform seeks to undermine these structural changes and the concomitant role of the banking sector. There are a number of policies that are geared towards this end. To start with, controls on interest rates or rates of return charged or earned by banks have been diluted or done away with. In practice, this never means that the range of interest rates is completely "market determined". The central bank influences or administers that rate structure through adjustments of the bank or discount rate at which it lends to the banking system and through its own open market operations. The government also influences interest rates by altering administered interest rates offered on small savings and pension/provident fund depositors.

While liberalization does not, therefore, fully "free" interest rates, it has other kinds of consequences. It encourages competition between similarly placed financial firms aimed' at attracting depositors on the one hand and enticing potential borrowers to take on debt on the other. Competition in these spheres not only takes non-price forms, but leads to price competition that squeezes spreads and forces firms to depend on volumes to shore up their bottom line. That is, within the range implicitly set by the central bank (and at times the government). Banks are encouraged by liberalization of rates to accept lower spreads in the hope of neutralising the effects on profits by attracting larger volumes of business.'

- Second, there have been policy changes aimed at increasing the credit creating capacity of banks and reducing the extent of pre-emption through reductions in the Cash Reserve and Statutory Liquidity Ratios, while offering them greater leeway in using the resulting liquidity by altering priority sector lending targets.

- Third, banking reform has sought to increase competition through structural changes in the financial sector. It has permitted a substantial degree of "broadbanding" of financial services, with development finance institutions being allowed to set up mutual funds and commercial banks, and banks themselves permitted to diversify their activity into a host of related areas. The broad trend is towards a form of universal banking, manifested in the reverse merger or merger of development finance institutions with banks. The Reserve Bank of India's Mid-Term Review of the Monetary and Credit Policy for 1999-2000 declared: 'Though the DFIs would continue to have a special role in the Indian financial System, until the debt market demonstrates substantial improvements in terms of liquidity and depth, any

OFI, which wishes to do so, should have the option to transform into a bank (which it can exercise), provided the prudential norms as applicable to banks are fully satisfied."

- Fourth, liberalisation removes or dilutes controls on the entry of new private banks subject to their meeting pre-specified norms with regard to capital investments. This aspect of liberalisation inevitably applies to both domestic and foreign financial firms, and caps on equity that can be held by foreign investors in domestic financial firms are gradually raised and done away with. Easier conditions of entry do not automatically increase competition in the-conventional sense, since liberalisation also involves freedom to acquire financial firms for domestic and foreign players and extends to permissions provided to foreign institutional investors, pension funds and hedge funds to invest in equity and debt markets. This often triggers a process of consolidation.

Further, the existing nationalised banks, including the State Bank of India, were permitted to sell equity to the private sector and private investors were permitted to enter the banking area. This applied to foreign banks as well. These banks were given greater access to the domestic market, both as subsidiaries and branches, subject to the maintenance of a minimum assigned capital and being subject to the same rule as domestic banks.

The RBI has raised the cap on FDI in private sector banks from 20 to 49 and then to 74 per cent while retaining the cap at 20 per cent in the case of the public sector banks. The foreign ceiling on FDI applies to all forms of acquisition of shares (IPOs or initial public offers, private placements ADRS/GDRs and acquisition from existing shareholders). Foreign branches having brand presence in India can also undertake direct investments in private and public sector banks subject to approval from the Reserve Bank of India (RBI). This provides the basis for an expansion of the reach of existing foreign banks through equity-enabled tie-ups with Indian entities. With the mushrooming of private banks promoted by Indians in recent years and the more recent trend towards mergers of these entities with larger strategic partners, the new policy sets the stage for an expansion of foreign bank presence in India.

- Fifth, to render the rivalry generated by this liberalisation of conditions of entry and expansion effective in influencing bank functioning, banks have been provided with greater freedom in determining their asset portfolios. Liberalisation involves a reduction in controls over the investments that can be undertaken by financial agents. Financial agents are permitted to invest in areas they were not permitted to enter earlier. Most regulated financial systems sought to keep separate the different segments of the financial sector such as banking, merchant banking the mutual fund business and insurance. Agents in one segment were not permitted to invest in another for fear of conflicts of interest that could affect business practices adversely. There was also the danger that savings parked in deposits and protected with deposit insurance could be misused for speculative investments.

Financial liberalization involves the breaking down of the regulatory walls separating these sectors, leading in the final analysis to the emergence of the so-called "universal banks" or financial supermarkets. Banks were permitted to cross the firewall that separated the banking sector from the stock market and invest in equities, provide advance against equity offered as collateral and proffer guarantees to the broking community. Consequent ability of financial agents to straddle multiple financial activities implies that the linkages between different financial markets tend to increase, increasing fragility and allowing developments in anyone market to affect others to a far greater degree than they did before. Today Banks are focusing on Cross selling instead of their core business that is collecting deposits & lending it.

Finally, since financial deregulation often results in practices that increase volatility and may de-stabilize the financial system, the government specified new capital adequacy norms for the banks, prescribed guidelines for accounting and for provisioning for bad debts and planned for the expansion of the capital assets of banks. The norms prescribed by the Basel based International Banking principles should not be applied to Public Sector Banks in India which are under the control of the Govt and RBI.

Effects of Banking Sector Reforms

The Banking Sector reforms have reversed the purpose of nationalisation promoting privatisation, reducing credit to the poor and marginalised, focus has shifted to class banking with major chunk of credits going to the large borrowers and agriculture getting only a pittance. This has also resulted in huge non performing assets and we are in the verge of a financial crises. If US had collateralised debts through toxic assets, we have started transferring bad loans to asset reconstruction companies. If US allowed mortgaging the same assets more than once, we are converting bad assets through corporate debt restructuring into to performing assets. The collapse seems to be inevitable unless the government changes its policies and RBI comes out with viable solutions.

The great Bank Robbery Non Performing Assets

Thanks to judicial protection received by those large corporate loan defaulters, stakeholders don't even learn the names of the concerned corporate promoters and their guarantors

Bank robbery always makes big news. But, not when it is craftily conducted by clever corporates. **Corporate robbery of banks even carries a fashionable nametag, 'non-performing asset'**. It refers to loans that have gone sour and are not recoverable. Banks simply write them off. Unlike other categories of bank robbers who, if caught, face prosecution under a host of sections and sub-sections of the Indian Penal Code, big-time corporate bank robbers mostly go scot-free, although several of them are even known to be habitual loan defaulters. (Think of Vijay Mallaya who can buy a cricketer for Rs.13 cr and run formula I race cars but will not repay loans to banks)

Banks, mostly in the public sector, have restructured or written off loans worth over Rs. 3 lakh crore to favour large loan defaulters in less than the last two years of the UPA regime. The scale and depth of the recent loan write-offs and debt restructuring by banks have embarrassed even the union finance minister, the Reserve Bank and Parliamentary standing committee on finance. Thanks to judicial protection received by those large corporate loan defaulters, stakeholders don't even get to know the names of the concerned corporate promoters and their guarantors.

The rise of PSU bank NPAs, led by the State Bank of India, has been phenomenal since the last financial year, assuming almost scandalous proportions, seemingly vying with such mega scams as 2G and 'Coalgate' in terms of amounts involved and the number of high-profile business houses blowing up bank funds. According to CRISIL, a top rating agency, banks' gross NPAs this fiscal may grow by Rs.1 trillion to Rs. 4 trillion in March 2014. The amount is really big if compared with RBI's estimate of gross bank NPAs since 2001 at Rs. 6 trillion. Data collected by RBI over the last one year blew the lid off what goes as banks' loan classification.

Gross NPAs of PSU banks have risen from Rs. 71,080 crore as of March, 2011, to Rs. 1.55 lakh crore by the end of December 2012. The gross bank NPAs was 3.3 per cent in March, 2013. It rose to 3.7 per cent by the end of June. Crisil predicted it could grow to 4.4 per cent by March 2014, turning almost Rs. 1 trillion worth bank credit as NPAs within such a short span. Bulk of the NPAs was on account of only some 30 top loan defaulters, stated by the Union Finance Minister P Chidambaram himself. Admittedly, a key reason behind the sudden spurt in bank NPAs is the economic slowdown. But, it would be naïve to believe that banks and large corporate borrowers did not notice the early warning. The personal assets of the Corporate businessmen keep increasing only.

Vijay Mallya's Kingfisher owes Rs.2,673 crore is the largest defaulter of PSBs (except SBIs) while Winsome Diamond and Jewellery Co with dues of Rs.2,660 crore is the second biggest defaulter.

Yet, what is the government doing about it? Who are those 30 top loan defaulters? What are their business profiles? How could they access such large sums of large bank funds, despite the risk factors linked with their businesses in view of the current economic slowdown and their past loan repayment records? And, who were their guarantors? These are some of the questions long bugging stakeholders, including depositors and ordinary shareholders. They would like to have some convincing answers from those big NPA-hit banks or the government. Government banks are bleeding. Taxpayers' money is being doled out to recapitalise these public sector banks. The depositors and general public are in the dark. Even the Parliamentary standing committee on finance had expressed concern over the phenomenal rise in PSU banks' NPAs in less than 18 months.

Notably, the impression one gets from recent statements-to-strictures by Finance Minister P Chidambaram, the former financial services secretary, Rajiv Takru, and the former RBI deputy governor K C Chakrabarty on the alarming rise of PSU banks' NPAs caused mainly by some three dozen large loan defaulters is that they are helpless about the way the public funds are openly stolen or taken away by some smart corporate cookies. Takru wants banks to 'act tough with willful defaulters.' Why are those banks not paying heed to the top finance ministry bureaucrat? Could it be because of some high-level political interference? Who are they? It is common knowledge that several of the top loan defaulters are builders and real estate developers, all boasting top political connections in Delhi.

The former RBI deputy governor Chakrabarty's frustration over the massive increase in bank NPAs is even more telling. At a recent bankers' meet, he spoke about how banks sacrificed over Rs. 1,00,000 crore by writing off 'bad loans' to corporates which, he said, was much higher than Finance Minister Chidambaram's farm loan waiver in 2008 before the Lok Sabha polls that invited strong criticism by big industries and their apex bodies. What is preventing Chakrabarty, himself a former chairman of Punjab National Bank, from wielding his stick against the truant PSU bank managements as a deputy governor of the country's central bank? Why aren't the government and RBI naming the defaulters and attaching all their assets along with their credit guarantors'?

Bad loans are being recast like never before to save large corporate defaulters and banks themselves from public criticism in the name of corporate debt restructuring (CDR), mostly with retrospective effect, ignoring its impracticability and risk factors in many cases. CDR is often misused to temporarily window-dress balance sheets by both banks and loan defaulters.

According to a FICCI report, banks have cumulatively recast loans to the tune of Rs 2.5 trillion under the CDR exercise, mostly during the last few months. **Last year, banks had restructured loans worth Rs. 75,000 crore**, almost double the 2011-12 figure. Bankers privately fear that a good chunk could turn unproductive. The CDR provides relief to companies which are unable to repay existing loans by extending the payback period, reducing or partly waiving the interest rate, giving a repayment holiday and the option to convert a part of loan into equity. During last April-June alone, PSU banks had restructured loans of some one dozen companies for a total amount of Rs. 20,000 crore.

How many of the PSU banks do proper diligence before sanctioning credit and how fewer of them approve CDR on merit? By the RBI deputy governor's own admission, a majority of the write-offs involve big accounts, underscoring the need to hold top executives who clear the big loan proposals, accountable for its decisions. "Wrong appraisal is leading to diversions, leading to over- leverage, leading to fraud, leading to NPAs…they are all inter-related," he said. Large bank NPAs in the last two years, the huge loan write-offs and the sudden spate of CDRs before the Lok Sabha election are far worse than occasional bank robbery. **They rob depositors and shareholders of better returns and the government of tax revenue to shield large corporates who have been traditionally running away with bank funds, turning companies sick and throwing workers out of jobs, all seemingly with the consent and connivance of bank managements.**

Kingfisher Airlines is biggest defaulter of public sector banks.

According to the All India Bank Employees Association, Kingfisher tops the list of 50 biggest defaulters of PSBs that owes Rs40,528 crore. In order to highlight the increasing bad loans or non-performing assets (NPAs) menace in PSBs, the bank employees are observed 5th December 2013 as 'All India Demands Day' by wearing badges and holding rallies.

According to AIBEA, Mumbai-based Winsome Diamond and Jewellery Company (erstwhile Su-Raj Diamond India Ltd), with dues of Rs2,660 crore, is the second highest defaulter, followed by Electrotherm India Ltd at Rs2,211 crore.

In May 2013, ratings agency CRISIL downgraded the Jatin R Mehta-led Winsome Diamond to a 'D' rating while placing it under watch in view of continuous defaults of the company's overseas customers and consequent development of letters of credit (LoCs). At that time, Punjab National Bank, the lead bank of the consortium, had an exposure of more than Rs1,800 crore to the Winsome Group.

Some of the other big-ticket defaulters include, Zoom Developers Pvt Ltd (Rs1,810 crore), Sterling Biotech Ltd (Rs1,732 crore), S Kumars Nationwide Ltd (Rs1,692 crore), Surya Vinayak Industries Ltd (Rs1,446 crore), Corporate Ispat Alloys Ltd (Rs1,360 crore), Forever Precious Jewellery and Diamonds (Rs1,254 crore), Sterling Oil Resources Ltd (Rs1,197 crore) and Varun Industries Ltd (Rs.1,129 crore)

See the full List (Rupees in crores)

	BORROWER	LOAN NOT REPAID
1.	Kingfisher Airlines	2673
2.	Winsome Diamond & Jewellery Co. Ltd.	2660
3.	Electrotherm India Limited	2211
4.	Zoom Developers Private Limited	1810
5.	Sterling Bio Tech Limited	1732
6.	S. Kumars Nationwide Limited	1692
7.	Surya Vinayak Industries Ltd.	1446
8.	Corporate Ispat Alloys Limited	1360
9.	Forever Precious Jewellery & Diamonds	1254
10.	Sterling Oil Resources Ltd.	1197

11.	Varun Industries Limited	1129
12.	Orchid Chemicals & Pharmaceutical Ltd.	938
13.	Kemrock Industries & Exports Ltd.	929
14.	Murli Industries & Exports Limited	884
15.	National Agricultural Co-Operative	862
16.	STCL Limited	860
17.	Surya Pharma Pvt. Ltd.	726
18.	Zylog Systems (India) Limited	715
19.	Pixion Media Pvt. Limited	712
20.	Deccan Chronicle Holdings Limited	700
21.	K.S. Oil Resources Ltd.	678
22.	ICSA (India) Ltd.	646
23.	Indian Technomac Co. Ltd.	629
24.	Century Communication Limited	624
25.	Moser Baer India Ltd. & Group Companies	581
26.	PSL Limited	577
27.	ICSA India Limited	545
28.	Lanco Hoskote Highway Limited	533
29.	Housing Development & Infra Ltd.	526
30.	Mbs Jewellers Pvt. Ltd.	524
31.	European Projects And Aviation Ltd.	510
32.	Leo Meridian Infra Projects	488
33.	Pearl Studios Pvt. Ltd.	483
34.	Educomp Infrastructure & School Man	477
35.	Jain Infraprojects Limited	472
36.	Kmp Expressway Limited	461
37.	Pradip Overseas Limited	437
38.	Rajat Pharma/ Rajat Group	434
39.	Bengal India Global Infrastructure Ltd.	428
40.	Sterling Sez & Infrastructure Pvt. Ltd.	408
41.	Shah Alloyes Ltd.	408
42.	Shiv Vani Oil And Gas Exploration Limited	406
43.	Andhra Pradesh Rajiv Swagruha Corp. Ltd.	385
44.	Progressive Constructions Ltd	351
45.	Delhi Airport Met Ex Ltd.	346
46.	Gwalior Jhansi Expressway Limited	346
47.	Alps Industries Limited	338
48.	Sterling Port Limited	334
49.	Abhijeet Ferrotech Limited	333
50.	Sujana Universal Industries	330
		40,528

In view of the rising bad loans in state-owned banks, the AIBEA said the government should set up a special investigation team to probe the decisions of their credit appraisal committees in cases where borrowers have turned wilful defaulters.

In addition, the bank employees associations also want responsibility fixed on banks' top brass for the loans that have turned bad, allow banks to share information on NPAs and wilful defaulters under the Right to Information (RTI) Act, and declare wilful loan default as a criminal offence.

According to the Union, over the past seven years, there are fresh bad loans worth Rs4.95 lakh crore only in PSBs, while during the same period, these lenders wrote off bad debts worth Rs1.4 lakh crore. Top four defaulters of state-run banks constitute Rs23,000 crore of NPAs.

“There are **7295 names in which about Rs 68,000 crore** loans are involved Rs 1 crore and above. That has to be published. Incentives are being given for corporate delinquents. In fact, about 3.25 lakh crore of which about Rs 2.70 lakh crore of bad loans are being restructured as good loans, as performing loans. These are all pertaining to the corporate people. Restructured loans / CDR accounts are nothing but hidden NPAs. It's a volcano. Anytime the bomb can blast."

The Unions have demanded PSBs to publish list of bank loan defaulters of Rs1 crore and above, make wilful default in bank loan a criminal offence, order investigation to probe nexus and collusion (between the borrower and officials), amend Recovery Law to speed up the process, take stringent measures for recovering bad debts and not to incentivise corporate delinquency.

Associations are now demanding that banks publish the list of defaulters of Rs 1 crore and above and classify “wilful default” as criminal offenders. Currently, RBI collates the data of wilful defaulters for improving bank supervision. Finance Ministry and RBI have been concerned about the way promoters renege on their loan repayments. They had asked banks to go after wilful defaulters aggressively and even look at management takeover as part of the recovery process. But nothing has happened.

Write-Offs of NPA during the fiscal year ended (Rs. In Crores)

	Mar-01	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar - 13	Total
PSBs	5555	6428	9448	11308	8048	8799	9189	8019	6966	11185	17794	15551	27013	145303
Old Pvt banks	331	588	653	525	464	544	610	724	616	884	682	671	863	8155
New Pvt Banks	580	896	1564	1286	1682	1409	1232	1577	5063	6712	2336	3024	3487	30848
Foreign Banks	20	798	356	440	628	905	590	1334	3350	6238	3083	1646	855	20243
All Banks	6486	8710	12021	13559	10822	11657	11621	11654	15995	25019	23895	20892	32218	204549

Courtesy : AIBEA

At the outset, it may be mentioned that the Survey results of 26th round (1971-72), 37th round (1981-82), 48th round (1991-92) and 59th round (2002-03) of AIDIS are comparable across Agency-wise and State-wise over the period. In order to compare the progress of formal and informal finance after the bank nationalization and to provide an overview of the flow of credit to rural areas in terms of credit agency-wise, we have analyzed these Survey results in a comparative manner and State-wise separately. It is important to note that there are problems in using data from these surveys given the sharp reduction in sample size of households and villages, especially in the 37th round in 1981-82. It may further be mentioned that, the estimates of household debt starting from 48th round in 1991-92 are based on both cash and kind, whereas before that it was based on cash debt. From Table 1, it can be assessed that the informal/non-institutional finance was gradually declining during the 1960s, was very nearly broken during the 1970s, with the *institutional* agencies making steady inroads into the rural scene. The share of *institutional* credit agencies in the outstanding cash dues of the rural households at the all-India level increased from 29 per cent in 1971 to 61 per cent in 1981 and then the pace of increase was arrested rising to 64 per cent in 1991. During the following decade, the share declined by about 7 percentage points and reached 57 per cent in 2002. It seems that credit cooperatives, commercial banks, and other formal financial sector programs in rural areas have not displaced informal sources of credit, altogether. The 2002 AIDIS survey revealed that 43 per cent of rural households continue to rely on informal finance, which includes professional moneylenders, agricultural moneylenders, traders, relatives and friends, and others.

Trends in NPA

Slowdown of the economy, hardening of lending rates, rising inflation, dwindling asset prises, global economic situation and wilful default are the major causes of increasing NPA.

SSIs, Personal Loans, Infrastructure Loans and Loans to power sector contribute to the growing NPA. As already stated Corporate Sector is the major villain. Priority Sector including Agriculture recovery percentage is comparatively better.

If the Government does not take efforts to recover corporate debts it may lead to collapse of many banks. Lessons have to be learnt from the United Bank of India crises. The Government should pay to the banks the loans outstanding in infrastructure and power sector which were given due to the directions of the Government. The Government also should come heavily on the large borrowers with outstanding more than Rs.1 cr whose number is less than 10,000 but the loan outstanding is so huge. The personal assets of the major share holders have to be taken over and the Government may have to nationalize many of these companies and take control of them.

The Impact of the reforms on rural debt

All India Rural Debt and Investment Survey 1971-72 to 2001-02

Institutional agencies (All-India Level)

It can be observed that, the most remarkable performance was that of the commercial banks while the share of co-operative societies in the outstanding cash dues of cultivator households increased from 20.1 per cent in 1971 to 28.6 per cent in 1981, thereafter dropping to 27.3 per cent in 2002, that of commercial banks rose to 29 per cent in 1991, after rising sharply to 28 per cent in 1981 from a meager 2 per cent in 1971. It appears that the large number of branches that was set up by various commercial banks in 1970s and the subsequent introduction of rural banking schemes have driven the commercial banks to assume the role of principal credit agency in rural areas. It may be of interest to note that the share of government departments in the outstanding cash dues of cultivator households, after showing a decline from 7 per cent in 1971 to 4 per cent in 1981, again rose to 6 per cent in 1991 and dropped to 2 per cent in 2002. As a whole, at the all India level, among the *institutional* credit agencies, the co-operative societies and the commercial banks were the two most important agencies in the rural sector. These two agencies together, shared 91 per cent of the entire amount of debt advanced by the *institutional* agencies, accounted for 52 per cent of the outstanding cash debt, with *co-operative societies* (27.3 per cent) accounting for a greater share than the Commercial *Banks* (24.5 per cent) in 2002.

The gradual increase in the share of formal institutional credit in agriculture witnessed some reversal during 1991-2002 mainly because of a pull back by commercial banks. This disquieting trend is, in part, due to a contraction in rural branch network in the 1990s, and in part due to the general rigidities in procedures and systems of institutional sources of credit (Subbarao, 2012).

Non- Institutional agencies (All-India Level)

The combined share of all the *non*-institutional credit agencies in the outstanding cash dues of cultivator households recorded a sharp decline of 32 percentage points during 1970s but the decline got arrested in the 1980s – the fall being just of about 3 percentage points but increased to 43 per cent subsequently. The decline is found to be the steepest for the credit agency 'agricultural money lenders', whose share came down to 6 per cent in 1991 from about 9 per cent in 1981 and 23 per cent in 1971. However, the share of 'professional money lenders' has reported a rise to about 9 per cent in 1991, after registering a fall to 8 per cent in 1981 from about 14 per cent in 1971. Subsequently, the share has jumped to about 20 per cent in 2002. Relatives and friends appear to be gradually losing their importance as a source of credit. From 14 per cent in 1971, their share fell to 9 per cent in 1981, and dipped further down to about 7 per cent subsequently. As a whole, among the *non-institutional* agencies, *professional money lenders* were the main source of credit. Among the*non-institutional* credit agencies, money lenders – both *professional* and *agricultural* – in that order were found to be important sources of finance in rural areas, their respective shares being 19.6 per cent and 10.0 per cent. The share of *relatives and friends* was 7 per cent of the cash dues of rural households.

State-level Changes during 1971 to 2002

The State-level estimate indicates that of the total outstanding cash dues, the share of *institutional* agencies had increased marginally during the 1980s in most of the states, after having increased substantially during the 1970s (Table 2). However, the role of the *institutional* agencies, as judged from their share in the outstanding cash dues, varied from state to state. A snapshot of this variation in 2002 shows that in the rural areas, *institutional* credit agencies accounted for 85 per cent in Maharashtra, followed by Kerala (81 per cent), Himachal Pradesh and Orissa (74 per cent each) and Jammu & Kashmir (73 per cent). In contrast, not even 50 per cent of the debt was contracted through the *institutional* credit agencies in the rural areas of Andhra Pradesh (27 per cent), Rajasthan (34 per cent), Bihar (37 per cent) and Tamil Nadu (47 per cent).

Table 2: Share of Institutional and Non-Institutional Agencies in Outstanding Cash Debt of Major States in Rural Areas

(Per cent)

Major States	Institutional				Non-Institutional			
	1971 (26th)	1981 (37th)	1991 (48th)	2002 (59th)	1971 (26th)	1981 (37th)	1991 (48th)	2002 (59th)
Andhra Pradesh	14	41	34	27	86	59	66	73
Assam	35	31	66	58	65	69	34	42
Bihar	11	47	73	37	89	53	27	63
Gujarat	47	70	75	67	53	30	25	33
Haryana	26	76	73	50	74	24	27	50
Himachal Pradesh	24	75	62	74	76	25	38	26
Jammu & Kashmir	20	44	76	73	80	56	24	27
Karnataka	30	78	78	67	70	22	22	33
Kerala	44	79	92	81	56	21	8	19
Madhya Pradesh	32	66	73	59	68	34	27	41
Maharashtra	67	86	82	85	33	14	18	15

Orissa	30	81	80	74	70	19	20	26
Punjab	36	74	79	56	64	26	21	44
Rajasthan	9	41	40	34	91	59	60	66
Tamil Nadu	22	44	58	47	78	56	42	53
Uttar Pradesh	23	55	69	56	77	45	31	44
West Bengal	31	66	82	68	69	34	18	32
All India	29	61	64	57	71	39	36	43
Source: All India Debt and Investment Survey, NSS 59th Round, Report No. 501.								

During the periods 1971 to 2002, the states do not reveal any uniform pattern in the share of *institutional* agencies in total debt. Compared to 1991, the picture had changed in some of the major states (Table 2). Of the 20 major states in the rural, as many as 15 have shown a fall in the share of *institutional* agencies, notable among them are Bihar, Punjab, Haryana and West Bengal, where the fall in percentage share from 1991 values had been to the tune of 36, 23, 23 and 14 percentage points, respectively. On the other hand, 13 major states out of 21 had registered a rise in the share, which, barring a few with marginal to moderate rise, can be described as sharp to spectacular.

Recent Reports on 'Informal Credit Related Issues'

In the absence of survey data beyond AIDIS 2002 (published in December 2005), we have heavily drawn upon three recent Reports (RBI, 2006; GOI, 2010; RBI, 2011) that were also based on the sample surveys and extended the AIDIS data. The Report of the Task Force on 'Credit Related Issues of Farmers' (Chairman: Shri U. C. Sarangi), submitted to the Ministry of Agriculture, Government of India, looked into the issue of a large number of farmers who had taken loans from private moneylenders, but not covered under the 'Agricultural Debt Waiver and Debt Relief Scheme' of 2008. The Task Force Report has observed that "*…more disquieting feature of the trend was the increase in the share of moneylenders in the total debt of cultivators. There was an inverse relationship between land-size and the share of debt from informal sources. Moreover, a considerable proportion of the debt from informal sources was incurred at a fairly high rate of interest*". About 36 per cent of the debt of farmers from informal sources had interest ranging from 20 to 25 per cent. Another 38 per cent of loans had been borrowed at an even higher rate of 30 per cent and above, indicating the excessive interest burden of such debt on small and marginal farmers. The continued dependence of small and marginal farmers on informal sources of credit such as private moneylenders was attributed to constraint in the rural banking network and services arising out of financial sector reforms. Rigid procedures and systems of formal sources preventing easy access by small and marginal farmers, vied with the easy and more flexible methods of lending adopted by informal sources. The Task Force members came across situations where farmers were borrowing at the rate of five to ten per cent per month.

The identification of farmers indebted to private moneylenders is difficult. Such loans in most cases have no formal records and identifying and authenticating the debt from moneylenders may lead to problems of moral hazard (GOI, 2010). According to the Report, credit needs of small and marginal farmers are not only growing but are getting diversified due to increasing commercialization and modernization of agriculture. Simultaneously, for a variety of other needs, farmers incur considerable expenditure, resulting in increased borrowings. Adequacy, timeliness, affordability and convenience are factors that influence farmers, and for that matter, all borrowers, in their choice of creditors. Given that a single source may not to be able to satisfy all their credit needs, many farmers approach both formal and informal sources. Invariably, those who cannot afford any collateral are forced to borrow from informal sources. The Task Force reviewed the debt swap schemes of banks and revealed that these schemes had limited success as farmers were reluctant to disclose the name of the money-lenders, apprehensive in disclosing debt and some had even repaid the existing debt out of their Kisan Credit Card limits. Even though the Task Force came across some good debt swap schemes, bankers reported difficulty in taking these to scale and also reported that there was little guarantee that farmers would not ever again borrow from moneylenders.

Based on a review of the existing laws on money lending in the country, the 'Technical Group to Review Legislation on Money Lending' (RBI, 2006) has observed: "…*in spite of there being a legislation, a large number of moneylenders continue to operate without license, and even the registered moneylenders charge interest rates much higher than permitted by the legislation, apart from not complying with other provisions of the legislation. Signs of effective enforcement are absent*". The Report recommended legislative reforms to streamline the activities of moneylenders through suitable mechanism of incentives and disincentives. In this regard, Jeromi (2007) attempted to analyse the working of moneylenders in Kerala based on a sample survey, and mentioned that the existing legal provisions and regulatory and supervisory mechanisms are inadequate to protect the interests of both depositors and creditors in rural Kerala.

The growing commercialisation of Indian agriculture has encouraged the rise of trader-moneylender, as the formal sector finance is inadequate to meet the growing credit requirements of agriculture. The Task Force (GOI, 2010) noted that the moneylender today comes in many forms – as an outright lender, as a supplier of inputs/consumer goods, as a for-profit non-banking finance companies (NBFCs) including the for-profit MFIs, as a buyer of produce, and as an owner of the land on which the farmer is dependent. The sheer numbers of moneylenders, easy access to them, and their intricate relationships with the borrowers coupled with limited access to formal institutions made it difficult for borrowers to complain against them.

MICROFINANCE

India, which has a rich tradition of cooperative spanning over a century, has embarked upon a path of giving lot of fillip and incentives to private micro-finance institutions which have of late been mushrooming throughout the length and breadth of the country. This has been done at the dictates of World Bank which has found a wonderful vehicle to purvey micro-finance, and thereby to channel finance capital to the rural areas, fast replacing cooperatives and the principles, and ethos behind them. Though initially, the experiment for micro-finance began with a lot of positive note with NABARD drawing the first experimental SHG- Bank linkage programme in 1992, the sector, since the beginning of full-blown neo-liberal economy in early 2000, has been fast replacing the SHG-Bank linkage programme with private MFI-Bank linkage programme. This dominance by private sector financial sharks has totally vitiated the culture of micro-finance with exorbitant interest rates breaking the back of poor farmers, especially women, who, in many states like Andhra Pradesh, Tamil Nadu, Orissa, Maharashtra, West Bengal, and Karnataka are forced to commit suicides unable to bear the burden of loan and interest. The data furnished by NABARD for the period 2006- 07 to 2009-10 show that there was a huge rise in both annual disbursements of bank credit and total outstanding against MFI during this period. For example, the total loans disbursed to MFIs from Banks showed an increase from Rs. 1153 crore in 2006-07 to Rs. 8063 crore in 2009-10, thereby registering a growth rate of 71 %,90% and 116% in the years 2007-08, 2008-09 and 2009-10 respectively over the previous years. However, the Bank loans disbursed to SHGs showed an increase from Rs. 7981 crore in 2006-07 to Rs. 14453 crore in 2009-10, registering an increase of 11 %, 38% and 18% in 2007-08, 2008-09 and 2009- 10 respectively over the previous years. In several states like West Bengal, Maharashtra the share of MFIs in total bank credit disbursed behind micro-finance has overtaken that of SHGs. In 2010, in West Bengal, such share of MFIs has become 54.41 % against 45.59% in case of SHGs, whereas in Maharashtra, such share of MFIs became 63% against 36.6% for SHGs. At the All India plane, MFIs had 42% of such share of bank credit behind micro-finance against 57% for SHGs in 2010. ***(Ref. "Financing of Indian Microfinance", Tara S Nair, EPW, June 23,2012).***

Though, there were immense possibilities to harness the potential of SHG-Bank linkage programme through the intermediation of cooperatives as being attempted during the regime of previous Left Front Government in West Bengal and Kerala's highly successful "Kudumbashree" model of micro finance which effectively integrates the grass-root planning process, decentralization of democracy, procurement of food crop from farmers through SHGs, running of successful PDS thereby contributing to food security, such model of peoples' cooperation was anathema to votaries of global finance capital. NABARD should reorient its focus to SHG-Bank Linkage programme especially in the backward regions of our country.

Microfinance sector in India has progressed remarkably since 1990s and this sector has been acting as an important ally in expanding *financial inclusion* in rural areas (NABARD, 2012). Reserve Bank provides guidelines to banks for mainstreaming micro-credit providers, *inter alia*, stipulated that micro-credit extended by banks to individual borrowers directly or through any intermediary would be reckoned as part of their priority sector lending. However, no particular model was prescribed for micro-finance and banks have been extended freedom to formulate their own models or choose any conduit/intermediary for extending micro-credit. Though, there are different models for microfinance provision, the self-help-group (SHG)-Bank Linkage Programme has emerged as the major microfinance program in the country. It is being implemented by commercial banks, regional rural banks (RRBs) and cooperative banks. The gathering momentum in the microfinance sector has brought into focus the issue of regulating the sector.

The Malegam Committee Report (RBI, 2011) was constituted to study issues and concerns in the MFI sector in the wake of Andhra Pradesh micro finance crisis in 2010. The Committee, *inter alia*, recommended (i) creation of a separate category of NBFC-MFIs; (ii) a margin cap and an interest rate cap on individual loans; (iii) transparency in interest charges; (iv) lending by not more than two MFIs to individual borrowers; (v) creation of one or more credit information bureaus; (vi) establishment of a proper system of grievance redressal procedure by MFIs; (vii) creation of one or more "social capital funds"; and (viii) continuation of categorisation of bank loans to MFIs, complying with the regulation laid down for NBFC-MFIs, under the priority sector. The recommendations of the Committee were discussed with all stakeholders, including the Government of India, select State Governments, major NBFCs working as MFIs, industry associations of MFIs working in the country, other smaller MFIs, and major banks. The Reserve Bank has accepted the broad framework of regulations recommended by the Committee Report.

The Micro Finance Institutions (Development and Regulation) Bill, 2012 envisages that the Reserve Bank would be the overall regulator of the MFI sector, regardless of legal structure. The Reserve Bank has provided the views on the Bill to the Government of India. The aims of the Bill are to regulate the sector in the customers' interest and to avoid a multitude of microfinance legislation in different states. The proper balancing of the resources at the Reserve Bank to supervise these additional sets of institutions besides the existing regulated institutions could be an important issue. Requiring all MFIs to register is a critical and necessary step towards effective regulation. The proposal for appointment of an Ombudsman will boost the banking industry's own efforts to handle grievances better. Compulsory registration of the MFIs would bring the erstwhile money-lenders into the fold of organised financial services in the hinterland who had been acting as MFIs hitherto. The Bill requires wider discussion and the Standing Committee has prevented it from presented in the Parliament.

As reported in Malegam Committee Report, the impact of microfinance on the lives of the poor is inconclusive. The micro surveys create fears that in some cases microfinance has created credit dependency and cyclical debt. The analysts expressed doubt as to whether lending agencies have in all cases remained committed to the goal of fighting poverty or whether they are solely motivated by financial gain. This augurs well for the regulation of microfinance as a tool of financial inclusion and greater well being of the society.

Informal credit has certainly declined as a percentage of total debt, and both professional and agricultural moneylenders have reduced their share over time. Informal/non-institutional finance was gradually declining during the 1960s and was nearly broken during the 1970s with the institutional agencies venturing into the rural areas with Nationalization of major commercial banks and setting up of Regional Rural Banks with initiatives of the Reserve Bank. The decline in the share of moneylenders reflects in part the Government's efforts to register and regulate professional moneylenders.

At the all India level, among the institutional credit agencies, the co-operative societies and the commercial banks were the two most important agencies in the rural sector. These two agencies together shared 91 per cent of the entire amount of debt advanced by the institutional agencies, accounted for 52 per cent of the outstanding cash debt, with co-operative societies (27.3 per cent) accounting for a greater share than the Banks (24.5 per cent). Of the 20 major states in 2002, as many as 15 have shown a fall in the share of *institutional* agencies, notable among them are Bihar, Punjab, Haryana and West Bengal. The above facts indicate that the cooperatives, commercial banks, and other formal financial sector programs in rural areas have not displaced informal sources of credit altogether as 43 per cent of rural households continue to rely on informal finance in 2002.

The most important reason for continuation of informal rural credit market is that the existing financial institutions tend to restrict their lending activities to more risky field of lending to the agricultural sector. Those in the rural credit market prefer to use informal sources of credit despite the fact that the interest rates are much higher. Informal sources do not insist on punctual repayment as banks or cooperative societies do. Usually, it is possible to obtain loans for such purposes as marriage. There are generally no intricate and complicated rules governing the granting of loans by the village moneylenders. And informal sources are willing to lend money more freely without collateral and on the borrower's mere promise to repay.

The Credit Deposit Ratio in the North Eastern Region came down to 29.8% in 2004 from 54.9% in 1990. In the Southern Region it came down to 68.1% in 2004 from 82.1% in 1990. Lending to priority sector was 18.2% in 1969 which increased to 45.3% in 1987 but has reduced to 25.8% in 2004.

Agricultural credit which was 10.7% in 1975 incrased to 17.7% in 1987 but has come down to 10.8% in 2005.

Agriculture Loans of Rs.25000 and less was 49.1% in 1985 came down to 23% in 2005.

In 1980-81, 51.7% of agriculture loans went to Marginal farmers (upto 2.5 Acres) but in 2001-02 it has come down to 38.4%.

As per RBI Reports, as on 2010 top 100 centres contribute 69.4% of Deposits and 78% of credit.

The credit deposit Ratio is 84.9% for Metros, 58.8% for ubran, 51.8% for semiurban and 59% for Rural.

Regional Rural Banks:

Regional Rural Banks have registered substantial progress in terms of, deposit mobilization, credit extension and profit earnings. The 64 RRBs having a branch network of 17,856 could mobilize a deposit of Rs.2, 11,458 crores as on 31 st March 2013 and recorded a net profit of Rs. 2385 crores during the same period. More notably the credit-deposit ratio, which was 57.1 % in 2009-10, increased to 59.69% in 2010-11,62% in 2011-12 and reached 66.13% by the end of March 2013. The presence of RRBs in the context of financial inclusion is indispensable. The employees and officers of the Banks have been demanding since long for the establishment of National Rural Bank of India as the Apex Body or merger of these Banks with Sponsor Banks. However, this has not been acceded to by the Government of India. Instead, the Government has come out with a proposal of privatization of RRBs by virtue of the RRB Act Amendment Bill 2013. Should the amendments be carried out, it would certainly dilute the existing share holding pattern (presently, Central Government 50%, Sponsor Bank 35% and State Government 15%) and open up avenues for Private and Corporate

Sector as well as NGOs to intrude into the ownership of RRBs in the garb of expanding its capital base. In that case RRBs' role mission of rural development will be severely distorted.

NABARD:

Considering its overreaching influence on the development of economy for more than three decades, NABARD is today widely recognized as a unique Development Financial Institution (DFI) in the country. But consequent upon the restructuring of the financial sector within the current policy frame work, NABARD has also been targeted. During the period the entire RBI holding in NABARD, nearly 73% of the total has been off loaded to the Government of India. Only 1 % remains with RBI. Most likely the Government will sell out its holding in the market and pave the way for its privatization. Earlier Government put NABARD under Income Tax net and NABARD Bonds ceased to be treated as priority sector bonds from 1st April 2007. These measures were directed to weaken the capital base of this Bank and make it totally dependent on market borrowing for mobilization of resources and thus pave the way for privatization. In the process country's agriculture and rural economy will be hit hard.

NBFCs:

The unchecked breeding of the NBFCs throughout the length and breadth of the country has reached an alarming proportion causing concern for everybody. The Saradha episode in West Bengal in recent times has revealed the illegal modus operandi of these companies. The companies have built up a wide range of clientele, collected huge money from the public by giving them false promises of high return. In view of the mushrooming of NBFCs, Sri Sachin Pilot, Central Cabinet Minister in charge of the Ministry of Corporate Affairs wrote a letter in March 2013 to the Finance Minister, Shri P. Chidambaram (The Hindu dt. 18.03.13) stating his apprehensions - "2,200 firms not registered as NBFCs committing financial frauds ..... at present there are 34,754 such companies (NBFCs) out of whom only 12,375 have been permitted by the RBI to function as NBFCs under the RBI Act. It is the remaining 22,000 or so companies which mainly account for instances of cheating and fraud" of common people in different parts of the country. Sri Pilot strongly desired that RBI as the regulator of NBFCs should immediately intervene and "penalize companies that are not registered with them as NBFCs" but engaged in various fraudulent activities and urged the Finance Minister to forthwith issue such instructions to RBI. RBI must not escape its responsibility under the coverage of mere technicalities. The 22,000 or so companies unregistered with RBI seem to be nobody's responsibility. Even though they are registered under the Companies Act, the Ministry of Companies Affairs cannot control them, neither the latter have the expertise nor wherewithal to detect sophisticated financial frauds indulged in by such companies. The State Governments, which should curb their activities, are found either wanting or reluctant or casual, while mainly large number of poor people is robbed by them. It is also found that a few of such unscrupulous entities, after defrauding people, simply disappear for some time, and reappear in another name and form after some time to resume their "fly by night" operations. There is urgent need to check them.

Financial Sector Legislative Reform Commission (FSLRC) Report: A Death Knell for RBI

Financial Sector Legislative Reform Commission (FSLRC) was set up by Government of India in March 2011 with a mandate to evolve the new regulatory architecture for the financial sector as a whole. The Commission headed by Justice B. N. Srikrishna has submitted its recommendations to the Finance Minister, Government of India on 22nd March 2013. The recommendations have some dangerous implications for RBI, taking away many of its functions and vastly diluting its authority. Let us see some of the recommendations:

- Public Debt should be taken away from the RBI without any pre-conditions on fiscal consolidation.
- Non-Banking Financial Companies should be outside the purview of RBI.
- RBI should be stripped of its role in financial markets.
- RBI will have nothing to do with Forex Market.
- Capital Controls should be rested with the Ministry of Finance.
- The designation of Governor should be abolished and head of RBI should be named as "Chairperson".
- Banking Regulation and Supervision and the Payment & Settlement System may be left with RBI but only for a temporary period.
- A statutory Monetary Policy Committee to be set up to take executive decisions on monetary policy. There would be only 2 RBI members and 5 External members appointed by the Government - each member having a vote. Chairperson can give veto to the decision only by explaining with a public statement.

It will be worthwhile to quote from a write-up by Sri S. S. Tarapore, former Deputy Governor of Reserve Bank published in the Business Line on May 3, 2013: "The Commission's Report reeks of an anti-Reserve Bank of India (RBI) bias. The FSLRC game plan is to vivisect the RBI Institutions which are not His Master's Voice should first be destroyed, which would enable the setting up of an obedient edifice " He cautioned ultimately - "one must remember that countries that destroy their Central Banks destroy themselves". The unions of banking industry have strongly denounced the recommendations of the Committee. All the recommendations are directed to strip RBI of most important functions which it is performing today. This is unfortunate because over the years RBI has accumulated its skills in supervision of different segments of financial sector. The status and shape of today's financial sector owes a great deal to RBI.

> "I do hope Finance Minister, Chidambaram will one day say, 'I am often frustrated by the Reserve Bank, so frustrated that I want to go for a walk, even if I have to walk alone. But thank God, the Reserve Bank exists'." - Dr. D. Subba Rao, Former RBI Governor

CO OPERATIVES

In the context of global financial crisis and misplaced emphasis on ushering in private sector investments in all spheres including in retail sector, a renewed emphasis on development of cooperative sector is the need of the hour. Unfortunately, when the cooperatives combine the most essential ingredients of group dynamics, democratic and collective functioning ably dovetailed with group entrepreneurship and functioning to internalize the market signals, the present central govt has probably started to ignore the importance of this very useful sector. This has not escaped the attention of even the Central Govt appointed High Power Committee on Cooperative, 2009, when they observed *"In terms of the decent work paradigm .... cooperatives could lead the way by demonstrating what we really mean by freedom, equity, security and human dignity ..... Thus cooperatives by being true to their basic principles provide locally-based answers to globalization*

cooperatives are vital agencies to face the Challenges posed by globalization

From the Ninth Plan onwards, cooperatives have found no mentionin the Five Year Plans drawn up by the Planning Commission. It is important that due recognition is given to cooperatives as a *third sector of the economy and its development, particularly in terms of its marginalized and weaker segments .... "*

Interestingly, when India, despite having a very rich legacy of cooperative culture and ethos, started to neglect the sector. Various countries of the world have started to use this sector as an effective buffer against the onslaught of global finance capital. For example, in Brazil, when the water supply and water resource management was targeted for privatization, cooperatives proved to be a great success to thwart privatization apart from ushering in efficiency in water distribution. Similar examples are galore from countries like Italy, France, etc. Before the setting in of global financial crisis, Italy which has no less than 4.13 million cooperative organizations, responded more effectively to the changing global economic challenges by depending on small and medium sized firms in cooperative sector. Similarly, in France today there are more than 1.13 million cooperative organizations covering more than 90% French farmers. In China too, a renewed emphasis is being given to cooperative farming practices. This new form is based on the household contract responsibility system (which was the hall mark of Chinese market reforms in the country side) and encourages farmers to convert their contracted land resources into stocks and become shareholders in the newly formed cooperative firms. It is also necessary here that the collective nature of resources be made clear, so that transfer, sale or mortgage of land resource share are forbidden. According to some leading Chinese academics *(Enfu Cheng, Xiaoqin Ding in "Building China's New Countryside: Multiple Modes of Collective and Cooperative Economy" available in www.ras.org.in).* in pushing towards this new cooperative mode with land resources held as shares, one should fully consider the conditions required for the conversion as well as willingness of the farmers. Interestingly, several areas of China has already adopted this new form of collectivization of agriculture through cooperative mode like the Sonjiang area of Shaghai, where some 200,000 mu of farmland are brought under this new form of cooperative farming. *China has rightly emphasized that the second leap of rural reform and development needs the wide development of cooperative economy.* At *present the National People's Congress is reported to be drafting and revising relevant laws on cooperative economy. In China today, cooperatives are envisaged* as *horizontal cooperation between farmers themselves and vertical cooperation between farmers' organizations and companies* as *well* as *cooperative farms of mixed economic modes.*

Globally the importance of cooperatives is wide AS noted in UN documents like that in International Fund for Agriculture Development (IFAD).It informs us that ranging from small- scale to multi-million dollar businesses across the globe. cooperatives operate in all sectors of the economy. count over* 800 *million members and provide* 100 *million jobs worldwide - 20% more than multinational enterprises. In* 2008. *the largest* 300 *cooperatives in the world had an aggregate turnover of* $1. 1 *trillion. comparable to the gross GDP of many large countries. In Brazil, cooperatives were responsible for 37.2% of agricultural GDP and 5.45% of overall GDP in 2009 and earned about US $3.6 billion from exports. In Mauritius, cooperatives account for more than 60% of national production in the food crop sector and in Kenya the savings and credit cooperatives have assets worth US $2.7 billion, which account for 31 % of gross national savings. *(Ref. www. ifad.org /media/ press/ 2011176.htm).*

In such a background, NABARD's mandate to develop cooperatives should be strengthened and broadened with adequate resources. Governments should provide adequate support for the co-operatives.

VISION FOR FUTURE AND OUR DEMANDS

BLUEPRINT FOR AN ALTERNATIVE BANKING POLICY

Indian banking is currently in the midst of a transition driven by a change in the financial and banking policy regime of the government. The regime change is motivated by a shift in perspective in which banking, which was for long considered an instrumentality for rapid and more broad- based and equitable development is now seen as a business aiming to make profits partly from mobilising household saving and redirecting it into profitable investments and partly with generating fee-based incomes through matching demands for resources with supplies of credit or investment. The autonomy of RBI is curbed. Finance Ministry interferes with all PSU Banks.

It bears emphasising that these changes are part of the *overall* change in the economic policy regime involving external and internal deregulation and liberalisation and neo-liberal fiscal and monetary reform. However, there is reason to believe that the impact that the new regime has had on banking has been among the principal mechanisms through which the adverse effects of that regime on the poor *have* been transmitted.

Our analysis of both the conceptual errors underlying the liberalisation strategy and the dangers *involved* in adopting it in the banking sector, suggest that what is necessary is an alternative banking policy tied in the final analysis to an alternative strategy of development. While the long term objective of such an alternative would be to raise the rate of growth and make it more broad-based, equitable and inclusive, the immediate concern should be to restore social banking as one of the means to deal with the agrarian crisis and acute agrarian distress facing the country and the farming community.

In what follows we are concerned with selected aspects of that alternative - with the institutional framework of banking, with the restoration of a role for development banking and with credit delivery to agriculture, small industry and small borrower. Such a policy, if it is to be appropriate for Indian conditions must, inter alia, include the elements delineated in what follows.

OWNERSHIP ISSUES – Public Sector to Lead

Implicit in the Indian development banking model is the public ownership of a major share of banking assets. This must continue. From the 1990s, denationalisation of the banking sector has resulted from the disinvestment of equity shares of PSBs domestically and from the entry of new private Indian and foreign banks as a result of the freeing of the conditions of entry. Both of these, especially the entry of new private banks, *have* redefined the functioning of the PSBs.

Further restructuring through liberalization has been suggested in the recent official pronouncements relating to foreign direct investment in banking and mergers of PSBs. The international experience and the accumulated Indian evidence of the past 23 years show the futility and the dangers inherent in pursuing this neo-liberal strategy of bank restructuring. The following recommendations - presented as negative assertions - emerge from a careful review of the empirical evidence and define the minimum safeguards necessary to protect Indian banking from powerful trans-national and private (national) investor interests.

International experience suggests that raising the FDI cap, permitting FII investments in domestic banks and linking voting rights of private share holders to their equity stake do not serve the objective of raising the rate of economic and industrial growth. Rather, it enhances the vulnerability of the financial system, by encouraging risky investments, increasing exposure to global capital and putting pressure on the government to liberalise exchange rates and capital flows

Hence, following the July 2004 RBI guidelines, no single entity or group of related entities should be allowed to hold shares or exercise control, directly or indirectly, in any private sector bank in excess of 10 percent of its paid-up capital. This is in the interest of diversified ownership as was recognised by the RBI in its July 2004 guidelines. Hence the omission of this clause in the roadmap for foreign bank presence released by the RBI on 28th Feb.2005, which limits itself to specifying the condition on one-mode presence, needs correction." But the Government has gone ahead increasing the share holding of individuals to 26% in Private Banks. It is unfortunate that Axis Bank which was in the Public Sector (UTI) has been privatized.

Similarly, the amendments made in the Banking Regulation Act should be reversed. The essential problem in seeking a greater role of FDI in the domestic banking sector springs from the attendant loss of autonomy and control on domestic policymaking and outcomes. The evidence from many emerging market economies, particularly Latin America, shows that a greater reliance on banking FDI has given rise to conditions of: (a) stalled overall growth in credit with domestic banks also reducing loan exposure; (b) far greater financial instability during episodes of shock to the domestic economy, and (c) uncertainty and slow economic growth due to foreign banks acting as conduits for transmission of contagion and strategic decisions from parent banks on to developing markets. It is to be noted that these consequences are but an expression of the loss of economic sovereignty. We can choose to ignore these lessons only at our own peril.

CONSOLIDATION – What Kind?

The argument that the threat to domestic banking arising from an increase in the foreign banking presence should be dealt with through consolidation of domestic banks, which would also serve to strengthen them and make them global players is without logical or empirical basis. While the gains from consolidation are expected along greater economies of scale and scope available to bigger banks, the evidence doesn't support an automatic association between large size and profitability. On the other hand, bigger banks tend to rely much more on arm's length transactions and standardised balance sheets and loan accounts, on fee-based incomes that seek to avert credit and interest risk, and on trading risks in the securities market. These tendencies give rise to the phenomenon of financial exclusion (whereby a large segment of the population remains unbanked), result in lower credit provision and engender financial fragility via a greater exposure to financial markets. To advocate bank mergers as a general policy move and not as a carefully thought-out measure to consolidate the gains of two banks, would be to lend legitimacy to the above outcomes.

Consolidation also amplifies the financial fragility resulting from liberalization in the form of increased exposure of banks to the 'sensitive' sectors - commodities, real estate and the capital markets, where speculation is rife and returns volatile. Private banks have increased their exposure to the stock market through acquisition of shares, advances against shares and guarantees to brokers. Once the domestic financial sector is liberalized and then linked to external capital flows through capital account convertibility, the probability of banking crisis, currency crisis and financial crisis increases manifold.

Dealing with these problems requires not merely restraining and even reversing the change in banking policy regime, but a restoration of an important role for an accountable central bank as a regulatory authority. The shift in regime is accompanied by a combination of regulatory forbearance and an emphasis on improved accounting practices, better disclosure and new' capital adequacy norms. While these do not always deliver on their regulatory objectives, the capital adequacy norms often result in a contraction of bank lending.

Further, to restrict and reduce the fragility of the financial system it is necessary to: (i) rebuild the Chinese Walls separating the banks and the stock market and drop proposals such as permitting banks to trade in commodities exchanges; and (ii) strongly regulate the access of domestic banks to global resources, which would also help improve monetary management. It is becoming clear that SEBI cannot play the role in preventing misuse of bank funds in the stock market, necessitating joint supervision by SEBI and RBI.

REVIVAL OF DEVELOPMENT BANKING

An important component of an alternative policy is a revival of development banking. However, a renewed stress on the erstwhile role of development finance institutions (DFIs) would only be possible once the segmented financial market structure, wherein the DFIs service long-term loans and in return have access to concessionary finance from the Central Bank or the Government. Development finance institutions have been an integral part of the credit delivery system in India with a very substantial contribution to domestic capital formation in agriculture and manufacturing industries. In the 1990s with the corporatization, transformation into universal banks and subsequent privatization of the DFIs, these institutions have lost their unique development perspective. Even while the gap created by the transformation of institutions like the IDBI and ICICI into universal banks needs to be filled, immediately the further decline of development banking should be halted through the restructuring of institutions like the IFCI and the strengthening of the state financial institutions and the SIDBI, for example.

PROMOTING SOCIAL BANKING

The most urgent and immediate need is to increase credit provision to the rural areas for both agricultural and non-agricultural activities. If the flows of bank credit to agriculture, small-scale industries and other informal sectors have to be rapidly expanded, some comprehensive and enduring strategy for credit delivery has to be put in place and the loss of momentum spawned by the neglect of developmental goals by banks now for over a decade has to be regained.

- First and foremost is the need for further spreading of branch network by scheduled commercial banks and RRBs. A palpable cause for decline of bank lending to agriculture, to small-scale industries and to small borrowers, has been the banks' professional reluctance towards expanding their branch network in rural areas: The number of bank branches operating in rural areas (classified uniformly on the basis of the 1991 Census) has experienced an absolute reduction from 33,017 (or 51.7 per cent of the total) in March 1995 to 32,283 (47.4 per cent of the total) in March 2003 and to 32,095 (47.4 percent of the total) in June 2005. Given the option, the scheduled commercial banks would not like to operate in rural areas. This has been proved clearly since , March 1995 after the disbanding of branch licensing policy and the granting of freedom to bank boards to decide on their branch expansion programme. Since then, there has been a reduction of roughly 840 rural branches instead of an addition of at least 8,000 bank branches in rural areas under the erstwhile policy thrust. This approach has thus spawned a serious institutional vacuum in the rural credit structure, which needs to be rectified.

- Second, it is necessary to adopt a multi-agency form for the rural network with well-defined roles for commercial banks, cooperative banks, the regional rural banks and wherever feasible, micro-finance institutions. The last of these, however, cannot be seen as a substitute for a formal banking presence. The Business Correspondent operated Customer Service Points and Ultra Small Branches should be converted into small Bank Branches.

- Third, with *vast* modern input requirements and diversification into horticultural products and other allied areas underway, agriculture would require a more sophisticated system of credit delivery, for which induction of a sizeable number of qualified agricultural science graduates and graduates with other relevant technical qualifications would be necessary. Considering this felt need, the renewed policy thrust becomes an excellent opportunity for the government to generate an additional employment of about one lakh posts essentially to rural and semi-urban branches of banks; Considering the past neglect and the enormous business potential, it would not be too ambitious a goal to induct another lakh of technically qualified officers in the next *five* years or so.

- Fourth, it is necessary to *move* away from the current trend of moving from the demand for bank-level profitability to unit- and *even* transaction-level profitability, as this forecloses cross- subsidisation as a means of sustaining social banking. It is bank-level profitability that must be emphasised, and *even* this must be supported with an effort by the state to carry some of the risk provisions and costs of social banking in its budget.

- Fifth, it is necessary to reinforce close coordination between district planning authorities, Panchayati Raj institutions and the banks operating in rural areas. The system of district-level coordination committees of bankers has apparently become inactive; it needs to be reinvigorated with clear guidelines on respecting the bankers' commercial judgments *even* as they fulfill their sectoral targets. Non-agricultural activity being developed as part of a local level plan should be supported with bank lending, as happened with town and village enterprises in China, to facilitate faster and more employment intensive growth in the rural sector.

- Sixth, rather than using Self-Help Groups as banking agents, in a new version of agency banking, what is required is to link SHGs to bank credit and encourage banks to provide expertise for marketing, accounting etc. Banks have to take a pro-active role in promoting productive activity through the SHGs.

- Seventh, there is need to set up an appropriate monitoring system for social banking and introduce a system of rewards and penalties for social banking performance, particularly in regard to the priority sector lending targets across bank types. Despite the increasing number of heads and higher investment ceilings that are now eligible as priority sector advances, some private and foreign banks routinely fall short of the investment target, which underscores the need to strengthen regulatory oversight. While this needs to be corrected, the incessant dilution of the definition of priority sector advances that undermines the scheme needs to be reversed. A reappraisal of the definition of priority sector must also set individual floors for strategic sectors such as direct agricultural advances, loans to small-scale industries within the overall priority sector credit target since these sectors obviously lie at the lower end of the pecking order of investment preferences of banks. Finally, given the declining ratio of credit to deposit especially in the rural areas and backward states the present practice of expressing priority sector credit as a share of total credit underestimates the extent of rural disintermediation. A more appropriate practice would be to use deposits in the denominator of the ratio.

Finally, it is necessary to set up a mandatory system of reporting to the Parliament and state legislatures of performance and progress on the social banking front. A comprehensive, periodic report on policies, practices and statistics relating to social banking should provide the basis for informed public debate.

ROLE FOR FISCAL AND MONETARY POLICY

There is reason to believe that the erosion of fiscal policy space and the growing emphasis on the independence of the central bank have not merely reduced the availability of resources for development banking, but removed any need to support banks undertaking unusual risks in lending to disadvantaged sectors and populations. Monetary policy and fiscal policy should be so designed as to make available resources for development and social banking and guarantee the risk implicit in activities with substantial social returns and benefits.

These are some of central elements of an alternative banking regime which the government must immediately adopt and implement.

ROLE OF RBI

Reserve Bank should be given autonomy from the Finance Ministry and allowed to operate with its own wisdom which saved the Indian Banking System from the US & European Financial crises. It is Regulatory system of RBI and the powerful struggles of Bank employees under the banner of United Forum of Bank Unions which saved our Banks from the Financial crises.

ROLE OF NABARD

NABARD should be given more funds and autonomy to expand its reach to the rural areas and develop agriculture and allied activities. NABARD also should be made the regulator of SHGs. With guidelines given by RBI.

STRENGTHENING CO-OPERATIVE SECTOR

The Government should strengthen Co-operative sector which is catering to the weaker section, agriculturists and artisans instead of trying to strangulate the co operatives.

STOP OUTSOURCING

Regular works are being outsourced. The labour is exploited with low salary. Business Correspondents and Business Facilitators are paid poor salary. There are many cases of frauds committed by outsourced person.

PUBLIC SECTOR BANKS – STRENGTHEN THEM

Public Sector Banks have contributed a lot to the growth of the economy with focus on development banking and social Banking. They have to be strengthened and move to privatise them should be stopped.

DECENT WAGE RISE TO THE EMPLOYEES

Bank employees today are getting lesser salary than Government employees, private sector and even lesser than under qualified workers. It is imperative that they are provided with a decent wage taking into account their contribution to the development of the economy.

> "If doctors are paid the same salary as bus drivers, community would not be crazy about making their children doctors" — Nouman Ali Khan

PARITY ON SALARY WITH CENTRAL GOVERNMENT EMPLOYEES :

Salary Revision for Central Government employees will be effected based on Pay Commission recommendations once in ten years and their present salary is as per Sixth Pay Commission recommendations. Before 1979, bank officer's salary used to be higher than the Group "A" officer of Central Government. To have a parity with Government employees, Pillai Committee was constituted in 1979 and as per the Committee's recommendations the **pay scales of bank officers were rationalised and made at par and aligned with Pay Scales of Government Officers.** Such parity was distorted to the disadvantage of bank officers by implementing 4th, 5th and 6th Pay Commission Recommendations at much higher levels and the salary difference at all levels is alarmingly high. To quote, the bank officers' gross pay slip amount at initial stage is about Rs.30700/- as against Rs.56400/- for Government officers. Similar differences exist at different stages in the hierarchy. It has caused serious impact on the quality of recruits in a highly sensitive sector like banking which involves dealing with public money.

Many State governments have adopted 6th Pay Commission recommendations and many Public Sector Undertakings have also adopted them as bench mark for salary revision which has created a huge gap between the bankmen on one hand and government employees and PSU employees on the other.

The comparative scales since 1979 are as under:-

	Basic Pay	Basic Pay
Year	Group-A Officers of Govt. of India	Scale-I Officer in a Bank
Prior to 1979	**Rs.450/-**	**Rs.500/-**
In 1979	**Rs.700/-**	**Rs.700/-**
In 1986 (4th pay commission from 1987)	**Rs.2,200/-** **Rs.8,000/-**	**Rs.2,100/-** **Rs.7,100/-**
In 1996 (5th pay commission from 1997)	**Rs.12,500/-**	**Rs.10,000/-**
In 2006 (6th pay commission)	**Rs.15,600/- + GP Rs.5,400/-** **Total Rs.21,000/-**	**Rs.14,500/-**
7th Pay Commission projected	**Rs.63000/-**	

Public Sector Banks operate in a disciplined manner by observing compliance of regulatory requirements and in fact it was because of this that the Indian banks have emerged relatively unharmed from the recent global financial crisis.

The ten lac officer and workmen employees of banking sector have actively involved in nation building by effectively implementing national agenda of employment creation and economic & Industrial growth and enjoy lot of respect and popularity particularly in Rural & Semi Urban areas.

<u>The work force of Public Sector Banks are responsible for increase</u> :

1. In the **Business Mix** of the Public Sector Banks from **Rs.53,71,959 Crore** during the year 2008-2009 **to Rs.102,18,471 Crore** during the year 2012-2013.
2. **in Operating profit** from **Rs.45,495 Crore** during 2008-2009 to **Rs.1,21,917 Crore** during 2012-2013.
3. **in Net Profit** from **Rs.34,382 Crore** during 2008-2009 to **Rs.50,583 Crore** during 2012-2013.
4. **in Total Income** (interest and other income) from **Rs.3,15,554 crore** during 2008-2009 to **Rs.6,11,658 Crore** during 2012-2013.
5. in the Net Profit for the year 2012-2013 to Rs.50,583 Crore after providing for NPA Rs.46,021 Crore due to huge slippages during the year 2012-13 of Rs.1,19,613 Crore. Addition to NPA has affected the net Profit in two ways. It has not generated income and the provision has further drained the income.

Thus it is imperative that bank officers and workmen are adequately compensated due to their growing responsibility, transferability and accountability in order to maintain high standards of honesty and integrity, as their job demands, in the highly competitive and sensitive sector of the Indian economy, particularly in view of the following facts:

1. That bank officers who were getting more than government officials earlier, were brought at par with Government officers on implementation of Pillai Committee report in, 1979, are now getting approximately Rs. 20 thousand less than government officials at first stage of the pay.
2. It is pertinent to mention here that 7th pay commission has been constituted for revision in salaries of Central Government employees, whereas Bank employees have yet to catch the salaries they are getting as per 6th pay commission report.
3. There is steep rise in the CPI inflation and the salaries in absolute terms have also been eroded. Consumer price index has already increased by 1501 numbers over 4440 which was prevailing on 01/11/2012 i.e. the level at which IBA has agreed to merge the DA with basic pay.
4. The productivity per employee, the business per employee and branch and profitability of the public sector banks have enhanced many folds.
5. There is a danger of pouching of the existing young and trained staff of the Public Sector Banks by the new generation Private Sector Banks and Foreign Banks which will emerge as per new Banking Policy.
6. The unhappiness of the highly qualified youth who have joined the Public Sector Banks is seen widely in facebook.
7. As the Bank Officers and employees contribute a lot for the development of the economy and have to take business risks they have to be adequately compensated.

Paying your employees well is not only the right thing to do but it makes for good business . – Jim Sinegal, CEO, Costco

FIVE DAY WEEK

Majority of the foreign countries follow five day week. RBI follows five day week. Central Govt also follows five day week. The Software industry and many of the multi national corporations follow five day week. In an environment where 62% of the transactions are done through alternate channels, introducing five day week will reduce expenditure, save energy and also provide adequate rest and recuperation for the employees. (Annexure: Note on 5 day week)

The Political Parties, Elected Representatives and Policy Makers have to take into account the experiences of the past and present and prepare a new road map for the Development of the country with focus on equity, equality and social justice as enshrined in the constitution. Banking Sector can turn around the country and our Beloved Nation can become a model for the globe.

by

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