



# IBOA CONNECT



**Indian Bank Officers' Association (TN & PONDY)**

3, Sripuram 2nd lane, Royapettah, Chennai 600 014,

Ph No. 044-2811 3376/86

Email: [iboa.tn.pondy@gmail.com](mailto:iboa.tn.pondy@gmail.com)

Website: [www.aiiboa.in](http://www.aiiboa.in)

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## The Journey of Financial Sector Reforms - Privatisation is the Final Destination

Dear Comrades,

After attaining freedom, our Government chose an economic model of Five Year Plans. This was the model adopted by most countries which got liberated from the colonial rule. The Government adopted this model fearing that opening the economy to foreign investment would lead to a new form of domination, the domination by large multinationals.

With the massive accumulation of finance with metropolitan banks across the countries and because of large revenues earned from the oil price hikes of the 1970s by the OPEC members, there was an enormous pressure from International finance capital for lifting of capital control. It wanted the whole globe to be opened up for finance to move around at will and ultimately succeeded.

In our country, the balance of payment crisis (BOP) was caused by the First Gulf War (1991) which had two-sided negative impact on the Indian foreign exchange (forex) reserves. First, the war led the oil prices to go upward forcing India to use its forex reserves and second, the private remittances from Indians working in the Gulf region fell down fast (due to their emergency evacuation)—both the crises were induced by a single cause, i.e., the Gulf War. The BOP crisis also reflected deeper problems of rising foreign debt, a fiscal deficit of over 8 per cent of the GDP and a hyper-inflation (over 13 per cent) situation.

Under the Extended Fund Facility (EFF) programme of the IMF, countries get external currency support from the fund to mitigate their BOP crisis, but such supports have some obligatory conditionalities put on the economy to be fulfilled.

The conditionalities put upon India were of the nature which required all the economic measures to be formulated by the IMF. The process of reforms in India has to be completed via three other processes namely, liberalisation, privatisation and globalisation, known popularly by their short-form, the LPG.

Liberalization means that the process of decreasing traits of a state economy and increasing traits of a market economy.

Privatisation is a process under which the state assets were transferred to the private sector. Privatisation in its purest sense de-nationalisation, i.e., transfer of the state ownership of the assets to the private sector to the tune of 100 per cent.

The official meaning of globalisation is movement of the economies of the world towards "unrestricted cross border movements of goods and services, capital and the labour force".

In India a total of three generations of reforms have been announced till date.

The Administered Price Mechanism was dismantled for Petroleum, sugar, fertilizer and drugs etc.,

The disinvestment and corporatization of Public Sector Undertakings were started.

Fiscal Responsibility and Budget Management (FRBM) act was passed by the centre as a new commitment to reduce the fiscal deficit.

With regard to Banking Reforms, a high level committee on Financial System (CFS) was set up on 14 August, 1991 to examine all aspects relating to structure, organisation, function and procedures of the financial system. Based on its recommendations, a comprehensive reform of the banking system was introduced in the fiscal 1992–93. The recommendations say that “the resources of the banks come from the general public and are held by the banks in trust that they are to be deployed for maximum benefit of the depositors”.

On Directed Credit Programme the recommendation says, the “redefined Priority Sector Lending” should have 10 percent fixed of the aggregate bank credit.

On the Structure of Interest Rates the recommendation says, Interest rates to be broadly determined by market forces.

On Structural Reorganisation of the Bank the recommendation says, Substantial reduction in the number of the PSBs through mergers and acquisitions—to bring about greater efficiency in banking operations. Need for a stronger banking system for which mergers of the PSBs and the financial institutions (AIFIs) were suggested—stronger banks and the Development Financial Institutions (DFI) to be merged while weaker and unviable ones to be closed.

It further says, Budgetary recapitalisation of the PSBs is not viable and should be abandoned and so on.

Guided by the recommendations, the Government dismantled the Development Financial Institution(DFI) which used to give loan for Infrastructure development and for Big Industries. Due to dismantling of DFIs, PSBs were forced to give loans for Infrastructure development and for Big Industries. The defaults by these companies led to the erosion of capital of PSBs. The recovery measures through ARC, IBC has not reduced the NPA level and not improved the capital of PSBs. As PSBs started focussing on recovery and for want of capital, the business growth started slowing down.

The following data depicts the position of PSBs.

Details	Rs. in crore				Growth rates in%		
	2016	2017	2018	2019	2017	2018	2019
Global Deposits	7220458	7810464	8014389	8486213	8.17	2.61	5.89
Gross Advances	5584313	5655328	5961378	6382330	1.27	5.41	7.06
Net Advances	5377683	5366399	5525609	5926286	-0.21	2.97	7.25
Salaries to employees	84864	88323	89995	100939	4.08	1.89	12.16
Operating Profit	130829	154275	147781	149807	17.92	-4.21	1.37
Total Provisions	145154	160934	224912	216413	10.87	39.75	-3.78
Of which NPA Provisions	148365	161125	251826	228944	8.60	56.29	-9.09
Net Profit	-14325	-6659	-77131	-66606	-53.51	-1158.3	-13.65
Gross NPAs	515075	640008	840011	739539	24.26	31.25	-11.96
Net NPAs	305728	357891	424892	285122	17.06	18.72	-32.90

Now the Government instead of infusing capital to all required PSBs and enable them to carry forward their business activities, the Government is going for mega merger of banks which is their prime reform agenda which may help the Government to infuse capital only for the anchor banks. It appears that the Government strongly believes that the only source of stimulus for the economy is the PSBs and would bring pressure on the merged entities for disbursing loans on a massive scale.



Hence the present position of PSBs is the result of failure of the Banking Sector Reforms. Not only Banking Sector reforms, the reforms introduced in every sector viz., Telecom, Power, Aviation has failed. That is the reason India's GDP for June 19 has come down to 5% which is the lowest in the last 6 years. The reforms has suppressed wages, reduced employment, increased productivity which results in surplus in the hands of the corporates and looting of natural resources.

The hugely damaging impact of demonetisation in November 2016 was further accentuated by the poor implementation of the GST barely seven months later. These badly managed policy measures served as body blows to informal economic activity, causing major declines in employment and output. At first, they did not affect formal enterprises so much as they gained at the cost of informal ones. But the resulting loss in livelihoods and wage incomes eventually had an effect on demand for formal sector output, which has worsened over time because there have been no counterbalancing moves by the government. As per NSSO report total employment has actually declined by more than 15 million workers between 2011-12 and 2017-18, even as unemployment rates reached their highest levels in nearly half a century.

The government could have countered this adverse impact of declining employment and consumption demand, which in turn reduced the profit expectations of producers in formal enterprises, by providing a fiscal stimulus. The conventional instrument of lowering interest rate does not work in such situation and since Government Expenditure cannot be increased to offset the deficiency of aggregate demand due to FRMB Act, the crisis worsens.

As we apprehend the Government may propose to reduce its stake below 51% in PSBs in the days to come, the merger is a step towards privatization of PSBs. The reforms introduced so far in the Banking Industry has failed miserably. Therefore now, these failed reforms are trying to take yet another new form in the name of Merger of PSBs. As these mergers in the name creating large Banks and "synchronisation of synergies" will ultimately lead to privatisation, we appeal rank and file to stoutly oppose any kind of merger of PSBs. So far, we have been witnessing the failure of reforms driven by the neo liberal policies. So, unless the Government reverses these failed neo liberal policies, any or every effort to overcome the crisis through whatever means available within the system, will only aggravate the crisis.

With greetings.

Yours Comradely,



**R Sekaran**  
**General Secretary**

## *RETIREMENTS*

Sl. No.	Name	Designation	Branch
1	Com Siva Shanmugam A	Chief Manager	IC: Trichy
2	Com Selvaraj D	Senior Manager	Sivananda colony
3	Com Claude Dominic Savio	Senior Manager	Corporate Office
4	Com Arikrishnan D	Asst. Manager	Ariyoor
5	Com Raman P B	Asst. Manager	Mocrosate-Coimbatore
6	Com Govindasamy S G	Asst. Manager	Tirumangalam (madurai)

*IBOA (TN & Pondy) Wishes the above Comrades a Very Happy, Healthy and Peaceful Retired Life.*

# Wedding Bells

Selvan **Prem Kumar**  
(Asst.Manager, Natrampalli)

Married to

Selvi **Keerthi**

On 24.08.2019 at Guntur Dt. A.P.

Selvi **G Vaijyanthi**

(Daughter of Shri V. Gopal,  
General Manager, Corporate Office, Chennai)

Married to

Selvan **N. Harish**

On 25.08.2019 @ Chennai

Selvan **Dr. R. Rajagopalan (a) Vijay**

(Son of Shri R Ramaswamy,  
Deputy General Manager (Retd),  
Corporate Office, Chennai)

Married to

Selvi **S Kritika**

On 28.08.2019 @ Chennai

**IBOA (TN&Pondy) Wishes  
a Very Happy Married Life to the  
Newly Wedded Couple.**

## 56<sup>th</sup> Founding Day

This year to commemorate Association's 56<sup>th</sup> Founding Day, We have conducted Cricket Matches among our Zonal Teams on 24<sup>th</sup> and 25<sup>th</sup> of August in Chennai. The young officers from all the zones actively participated in the matches on behalf of their Zones. Totally 24 teams participated in the matches. 4 teams from Corporate office, 2 teams each from Chennai south and Chennai North Zone, teams from Kancheepuram, Poonamallee, Vellore, Tiruvannamalai, Puducherry, Cuddalore, Kumbakonam, Tiruvarur, Coimbatore, Krishnagiri, Salem, Erode, Karaikudi, Tirunelveli, Madurai and Tiruchi Zones participated.

Preliminary Round of matches were conducted on 24<sup>th</sup> August 2019.

Pre Quarter Final, Quarter Final and Semi Final matches were conducted on 25<sup>th</sup> August 2019.

Kancheepuram, Kumbakonam, Chennai South and Madurai teams clashed in the Semi Finals.

Kumbakonam and Chennai South1 qualified for Final. The Final Match is proposed to be conducted on 14<sup>th</sup> September 2019.

We congratulate and thank all the team members from all the Zones who have enthusiastically participated and made the programme a grand success.



With Veteran Leaders





Corporate Office 1



Corporate Office 2



Corporate Office 3



Corporate Office 4



Chennai North 1



Chennai North 2



Chennai South 1



Chennai South 2





Poonamallee



Kancheepuram



Vellore



Tiruvannamalai



Pondichery



Cuddalore



Kumbakonam



Karaikudi





Tiruvavur



Trichy



Madurai



Tiruvaveli



Selam



Coimbatore



Erode



Krishnagiri



# Jana Da

## The Camaraderie Leader passes away



**Com. A. K. Jana**, affectionately known to all of us, as "JANADA", is no more. The destiny has inflicted the unkindest cut and snatched him away from us. He breathed his last on 30 08 2019. No word in the dictionary is adequate or sufficient to describe his personality. He was not only a leader but a comrade who shared the spirit of camaraderie with every Trade Union worker, a skillful negotiator, a powerful orator, a friend, philosopher and guide and beyond all an humanitarian par excellence.

A fifth ranked student in Matriculation (School final) in the state of West Bengal. He joined Kalyani University and did his graduation in Agriculture. He was a student leader there and successfully conducted a strike for 52 days with a demand to convert that University as an Agricultural University. The spark and fire in him took shape there and it was un-stoppable.

He joined our Bank as a Probationary Officer in our Coimbatore Main Branch and thereafter served in Guwahati, Bhubaneshwar and later joined at Kolkota. He first became the Assistant Secretary, Indian Bank Officers Association (Eastern Zone), later its President and became the President of All India Indian Bank Officers Association (AIIOA) and held that position till his retirement from the services of the Bank. He also served in our Bank's Board as Officer Employee Director.

When the AICOBBO, the then National organization of officers in the Banking Industry drifted in its path, Com. A. K. Jana and Com. K. N. Kannan, the then President and Secretary General of AIIOA respectively played a crucial role to steer the organization in the right direction and the collective efforts of the right minded leaders led to the formation of AIBOC in the year 1985. In AIBOC, Comrade A. K. Jana served as its EC member, long time Vice President and rose to lead it as its President. When the AIBOC decided to organize the RRB officers, the responsibility to organize them was given to him and he led the RRB Federation in the state of West Bengal as its President.

It is difficult to believe that our JANADA is no more. No word of consolation will retrieve us from this

grief. We feel that it will be in the fitness of things to extract and reproduce a portion of the condolence message given by Com. S. Ramesh, a Co-traveler and Co-builder of the Officers' movement, who served as General Secretary of IBOA (EZ) along with Com. A. K. Jana for more than two decades.

"Janar konu sesh nai - A Bengali saying 'Jana' meaning learning. "One who lives for oneself only dies, One who lives for others never die, but ever lives in their hearts, mind & soul" - Brihati Samhitha. Hence 'Janar Konu sesh nai'. There is no end to our beloved JANADA.

The greatest homage, tribute and respect that we pay to our great leader Com. A. K. Jana is to uphold his legacy and carry on the movement with unfailing commitment and conviction as JANADA taught us that no right cause can be left un-championed or un-espoused.

**IBOA- TN & P**

**Pays heartfelt tributes to his memory.**

## CONDOLENCES

*IBOA (TN&P) expresses its deepest  
sorrow on the demise of our*

**Com M.R. Chandramohan**  
*Asst. Manager, Vedaranyam Branch  
Passed away on 30.08.2019*