



NATIONAL CONFEDERATION OF BANK EMPLOYEES

(Registered Under Trade Union Act, 1926—Registration No.B-2334)

Registered Office & Head Quarters:

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CIRCULAR NO. 88

Date: 28.05.2014

TO ALL MEMBERS:

UFBU CONDEMNS NAYAK PANEL REPORT -
DEMANDS REJECTION OF REPORT

We reproduce hereunder the full text of Circular No. UFBU/2014/23, dated 28.05.2014, issued by United Forum of Bank Unions, the contents of which are self-explanatory.

Sd/-
(M.V.MURALI)
GENERAL SECRETARY

"We reproduce hereunder the full text of Letter No.UFBU/RBI/2014/57 dated 28.05.2014 addressed to the Governor, Reserve Bank of India, Mumbai by Convenor, United Forum of Bank Unions, on the captioned subject, the contents of which are self-explanatory."

Sd/-
(M.V.MURALI)
CONVENOR

"We, the United Forum of Bank Unions (UFBU), the umbrella forum of all workmen unions and officers' associations in the industry, representing 10 lac bank employees and officers, are shocked to observe the retrograde recommendations of the P J Nayak Committee, which was appointed by RBI to "Review Governance of Boards of Banks in India".

We strongly condemn the retrograde recommendations of the Nayak Panel as they are detrimental to the interests of general public and the nation on the whole and demand for unequivocal rejection of the said Report for the reasons as under:

- The report contains only one-sided analysis as majority of the members on the Nayak Committee belongs to private bank/organisations and due representation to Public Sector bodies is not given;
- A deliberate attempt against public sector system is visible as no cognizance is given to the benefits derived out of Nationalisation of Banks towards the economic growth and the prosperity of the country since nationalization in 1969.

02. It is a known fact that in the year 1969, a major decision was taken by the then Prime Minister, Late Smt. Indira Gandhi to nationalize major banks in order to expand bank credit to priority areas, which were neglected till then.

03. The objectives of nationalization of commercial banks can be attributed mainly towards Social Welfare, Control of Private Monopolies, Expansion of Banking, Reduction of Regional Imbalances, Priority Sector Lending and for Development of banking habit. More particularly to ensure that the major financial resource of the Country mobilized through public savings/deposits is at the disposal of the Government but not in the hands of a few industrialists /Corporate houses.

04. There is no denying fact that banks have done good work in socio-economic transformation and until 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. It is to be noted that the deposits in Public Sector Banks have increased due to increasing confidence of public that their funds are safe and secured.

05. It will not be out of context to mention here that the UFBU is strongly opposed to the reform measures in the financial sector as it is detrimental to the interests of the Nation on the whole.

06. It is quite unfortunate that the insulation provided to the economy of the Country by the regulatory system of Public Sector Banks during the economic recession in 2008 is completely forgotten and once again attempts are being made to privatise the Public Sector Banks.

07. We strongly oppose the following retrograde recommendations, among others of P J Nayak Committee:

a. The Committee insists on capital requirement quoting that the capital of public sector banks has significantly eroded with the proportion of stressed assets rising rapidly, without proper assessment of reasons and individuals/ organisations behind the increased stressed Assets/NPAs and consequential erosion in capital, and recommends that the public sector banks be brought under the control of those defaulters, who are responsible for erosion in capital of public sector banks;

b. The Committee recommends for radical reform measures, which would bring back the pre-nationalisation concept of class-banking;

c. The committee proposes that the Government shall distance itself from several bank governance functions which it presently discharges and recommends that the Bank Nationalisation Acts of 1970 and 1980 together with SBI Act and the SBI (Subsidiary Banks) Act be repealed, means privatizing all the Public Sector Banks, which will pave way for spread of the monopoly enterprise. Further, Banks collect savings from the general public and if it is in the hands of private sector, the national interests may be neglected. The nationalization of banks ensured the availability of resources to the priority sectors. Besides, nationalized banks command more confidence of the customers about the safety of their deposits.

d. The committee opines that difficulties in public sector banks arise from several externally imposed constraints and suggests for reduction of Government stake to less than 50 per cent and raising the limit of investor's voting rights to 26 per cent from the existing 10 per cent to pave way for private control, neglecting the fact that India aims at socialism and this objective can only be achieved with the financial institutions under the control of Government and especially through nationalization. Rather, to control externally imposed constraints, there are ways and means to ensure more autonomy to Public Sector Banks not necessarily by reduction of the Government stake.

08. The report of the P J Nayak Committee recommendations aimed at privatization of public sector banks, merger of banks, more flexible bank licensing policy, etc. which would benefit only the private players and in no way would be beneficial to the common general public and the Nation on the whole. The report of the Nayak Committee is biased, anti-public, anti-national and pro-imperialistic and hence we demand for outright rejection of the P J Nayak Committee Report on Review of Governance of Boards of Banks in India in toto and provide justice and support to the Government initiatives in Financial Inclusion by spreading the bank services to every nook and corner of the Country.

We hope for your positive response in the matter."

With best regards,

Yours sincerely,
Sd/-
(M.V. MURALI)
CONVENOR