



STATE BANK OF INDIA OFFICERS' ASSOCIATION
(NORTH EASTERN CIRCLE)

(AFFILIATED TO ALL INDIA STATE BANK OFFICERS' FEDERATION)

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TO ALL MEMBERS/UNITS

We reproduce the circular no 57 issued by the Federation on 09/07/2018 , the content of which is self-explicit, for the benefits of our members.

With Greetings


(General Secretary)



ALL INDIA STATE BANK OFFICERS' FEDERATION

(Registered under the Trade Unions Act 1926, Registration No: 727/MDS)

State Bank Buildings, St. Mark's Road, Bangalore - 560 001



CIRCULAR NO.57

DATE: 09.07.2018

TO ALL OUR AFFILIATES/MEMBERS:

RESTRICTIONS IMPOSED ON DENA BANK UNDER PCA

We reproduce hereunder the text of AIBOC Letter No.2018/40 dated 9th July, 2018 contents of which are self-explicit.

**(Y.SUDARSHAN)
GENERAL SECRETARY**

TEXT

QUOTE:

To
The Governor
Reserve Bank of India
Central Office Building
Shahid Bhagat Singh Marg
MUMBAI - 400001

Dear Sir,

At the outset, I wish to submit this representation to your good office in the capacity of General Secretary of All India Bank Officers' Confederation (AIBOC), an organisation having a membership of over 3,20,000 officers working in various Banks of the country.

02. We wish to bring to your notice that the restrictions imposed by the RBI on the Dena Bank vide letter dated May 07, 2018 under the PCA are severely constraining the normal operations of the Bank. This goes against the objective of the PCA framework, which is to facilitate the banks to take corrective measures in order to restore their financial health.

03. Following the orders imposed by RBI, Dena Bank has been restricted from assuming fresh credit exposure and recruitment of staff. This has adversely affected both deposit and credit growth. The total deposits of the Dena Bank, which stood at Rs. 106130 crore in end-March 2018 has fallen to Rs. 103020 crore by end-June 2018. Total advances have fallen more sharply from Rs. 74239 crore in end-March 2018 to Rs. 70267 crore in

end-June 2018. The credit-deposit ratio has declined from 69.95% to 68.21% during this period. The average credit-deposit ratio of the scheduled commercial banks is currently around 75%. With a virtual prohibition on fresh lending, how does the RBI expect the Dena Bank to effect a turnaround in its financial health?

04. The employee strength of the Dena Bank had already declined from 13985 in March 2017 to 13613 in March 2018. Restrictions on staff recruitment will further impair the operations of the bank and impede its revival.

05. RBI is well aware that the deterioration of the financial health of the Dena Bank, as also the other PSBs which have been brought under the PCA, is mainly on account of the rising NPAs. The operating profit of the Dena Bank stood at Rs. 1171 crore in 2017-18. However, high provisioning and contingency related expenses of Rs. 3094 crore led to a net loss of Rs. 1923 crore in 2017-18. The focus should be on maximising NPA recovery and not to disrupt normal banking operations, which will make the Bank unviable. While riskier lending activities need to be restrained in order to conserve capital, an across-the-board restriction on all categories of lending is totally unwarranted. This will choke off the interest income of the bank and force it down the path of liquidation.

06. The RBI as well the Union Government, which currently holds over 80% of equity of the Dena Bank, need to become stakeholders in the revival of the Dena Bank. The bank employees and officers cannot be solely held responsible for the accumulation of the bad loans, which has led to the worsening GNPA and Return on Asset ratios.

07. The RBI and the Union Government have nominees to the Board of Directors of the Dena Bank. The officers and employees have no representation in the Bank Board. The role of the Board of Directors in sanctioning the big ticket loans, which have now turned into NPAs, needs to be probed. Accountability needs to be fixed for the bad loans crisis in a transparent and just manner.

08. The process of NPA recovery through the NCLT also needs to be reviewed. It is our apprehension that the processes under the Insolvency and Bankruptcy Code are providing leeway to the delinquent large corporates while forcing haircuts on the public sector banks. The RBI should make us aware of the progress of NPA recovery through the NCLTs, vis-a-vis all public sector banks, especially the Dena Bank.

09. We remain firmly committed to the revival of the Public Sector Banks, which have been burdened with humongous amount of NPAs, because of the actions of delinquent large corporates and the erroneous policies of the Union Government, which systematically eliminated the development

financial institutions and prodded the public sector banks to finance risky corporate projects with uncertain returns. We are shocked at the stance adopted by the RBI, which is implementing the PCA framework in a manner which will only lead to the possible liquidation of the Dena Bank and set a dangerous precedent for other Public Sector Banks.

10. We are registering our strong protest against the decision to prevent the Dena Bank from extending fresh loans and urge upon the RBI to reconsider the decision. We hope that you will consider the issues related to the Dena Bank with due seriousness and bring about the necessary changes to the PCA framework in the light of its experiences.

With best regards,

Yours sincerely,
Sd/-
SOUMYA DATTA
General Secretary

UNQUOTE: