



ALL INDIA UNION BANK EMPLOYEES' ASSOCIATION

CENTRAL OFFICE

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To All Members,

Dear Comrades,

Sub : Government's Public Sector Bank's Revamp Plans & its intentions

We published our first edition vide our circular 3/ 118/15 dated 18th August 2015 and highlighted the implications of 3 aspects (Appointments, Capitalization & De-stressing PSBs) of the government's Revamp Plans for PSBs under "Indra Dhanush". We hope our units are circulating and explaining these developments to the employees. As conveyed in our first edition, we now capture the intensions behind the remaining 4 aspects of the Revamp Plans as under:

Strengthening Risk Control Measures & NPA disclosures:

Ever since the introduction of "Income Recognition & Prudential" the PSBs have been classifying the loans and advances portfolio as per directions from RBI for last more than 2 decades. In fact they have been scrupulously following these norms and accordingly declaring the level of non performing Assets. Such norms have also been applied to investments portfolio.

With the Public Sector Banks being listed in the stock exchanges it is mandatory for the Banks to disclose NPA besides other disclosures. Similarly the Risk Control Measures as suggested by RBI at regular intervals have been adopted and implemented by PSBs for last several years. In fact the risk management concept perceived and implemented by PSBs are of highest standards and the same captures all kinds of risks including reputation & operation Risks.

To capture each risk Banks are spending quite a big amount to install software and hard ware as tools to capture and monitor the risks. At the end, each risk is demanding capital to mitigate the losses on account of it and thus pushing the PSBs

to crave for more capital. But the government is not in a position to provide capital and hence the situation becomes more suited for privatization.

Under the circumstances the government rather relying on RBI and its measures should have taken some bold new steps to mitigate the capital requirements of the Bank arising out of rigorous risk management adopted by the Banks. It should have announced some stringent measures to recover the NPA that have accrued on account of government's thrust towards infrastructure funding. Mere restructuring of these exposures will amount to identifying such exposure as NPA to a future date. It was expected that the government will formulate new legislation that would eliminate easier exit routes for corporate to default repaying Bank Loans. Thus the Government is reiterating the existing guidelines and lacks dynamism in controlling corporate defaults.

Empowerment :

The Government says that it has not interfered in the functioning of PSBs but encouraged them to take independent decisions keeping the commercial interest of the organization. It also claims that a cleaner distinction between interference and intervention is made by saying that with autonomy come accountability also.

Have we not seen how this government drove the PSBs to go after its schemes on Jan Dhan Yojana and Jan Bihima Yojana to fulfill its agenda? Even now the government attempts to micromanage the PSBs through its directions as can be seen from its direction on transfer & posting of officers, Posting of women employees, Housing Loan, Compassionate Appointments. Thus its contention that it does not interfere in PSBs functioning is far from truth.

Merely granting flexibility in hiring of man power and building up robust grievance redressal mechanism do not mean autonomy and the hard fact is that the PSBs are yet to be granted real autonomy to decide in various vital matters like interest rates, Technology & innovations, Business models, independently deciding on government scheme implementation, Staff Welfare, & HR initiatives etc. The government not appointing the Workman & Officer director is a clear pointer to its claim on empowerment.

Frame Work of Accountability:

The government announces a new frame work to measure key performance indicators (KPI) of the PSBs and this is projected to be a shift from the earlier system of measuring performances through parameters achieved under Statement of Intent-SOI. The new frame work will measure the performance on parameters 1) Efficiency of Capital Use 2) Diversification of Business/ processes 3) NPA Management 4) Financial Inclusion 5) strategic Initiatives to improve asset quality 6) efforts made to conserve Capital 7) HR Initiatives and 8) improvement in external ratings.

The operating performance evaluated through above KPI frame work will be linked to the performance of Bonus to be paid to MD & CEO with quantum to be revised shortly. The government is also considering ESOPS for top Management of PSBs. Besides, the government is proposing strict time lines for dealing with fraud cases filed with CBI and stream lining Vigilance Process on major frauds.

All the above parameters are no different than the parameters contained in earlier SOI and are basically aimed to grant cash incentives to top management. Based on such parameters Banks will also adopt to cash incentives scheme to ensure bonus to senior executives and down the line employees are only made to chase and achieve the targets to enable the top management to get Bonus.

There is no parameter to evaluate Bank's performance towards 1)meeting the objectivity of Nationalization 2) credit flow to all sectors of economy 3) Cheaper credit Flow to Priority sector and weaker Sections of society & 4) Contributions in building indigenous entrepreneurial skills in the country. Hence such exercise of the government will not fine tune the Banks to meet the national objectivity.

Governance Reforms:

The government claims that with the initiation of "Gyan Sangham" - a conclave of PSBs and FIs held in Pune the process of governance reforms have started. So far the outcome of discussions of such conclave has not been shared publicly and the hidden agenda of such conclave is still being guessed and debated in many forums by many institutions expressing concerns. The setting up of Bank Business Bureau is the outcome of Gyan Sangham recommendation and such set up can speed up the process of mergers and consolidation among Public sector Banks besides bringing in further reforms.

Thus all the 7 points of the revamp plans are not new but initiatives professionally mooted by the government to pave way for accelerated reforms. It will ensure reduction in government stake towards further privatization and the new Banking models that will emerge in PSBs will cater to the needs of corporate, Private Equity , and ensure moderation of Capital Debt & money Market, Wealth Management of HNI. Thus class banking will be the order of the day and ordinary people will be left to be taken care by small & payment Banks etc. Hence the reforms will be many and in multiple areas.

But the above will throw new tough challenges for all of us under AIBEA in the Banking sector to build a strong vibrant movement to tackle and resist these initiatives since these reforms will have direct bearing on our hard won service conditions besides posing threats to Nationalized Banking.

Hold meeting and explain the awaiting dangers among employees to build a strong united movement to meet the call of AIBEA in near future.

With Warm Regards,

Yours Comradely,



(N. SHANKAR)

General Secretary.

