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PUBLIC SECTOR BANKS – THE GOOSE THAT LAYS THE GOLDEN EGGS

Dear Coms.

GREETINGS TO YOU ON THE 51st ANNIVERSARY OF BANK NATIONALISATION

Bank nationalisation arguably is one of the biggest structural reform introduced in the financial sector during the post-Independence period. Nationalised banks have helped India to emerge as one of the largest developing economies, gain self-sufficiency in foodgrains production, and make significant strides in financial inclusion. This made the way for India to become one of the Leading Economies of the world. It has become fashionable nowadays to deride the public sector banks and attribute all of their problems to Government ownership. But it is to be understood that the bank nationalisation occurred as a culmination of a long-standing popular demand emanating from the bank employees and officers. There were 361 private banks which failed across the country in the period from 1947 to 1955, translating to an average of over 40 banks per year, resulting in depositors losing their money as they were not offered any guarantee by the respective private sector banks. Such private sector banks were seen as catering to the large industries and business houses, ignoring the lifeline of our Nation ie agricultural sector.

The Government thus through the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969 and nationalised the 14 largest commercial banks on 19 July 1969 having the deposit base of Rs 50 crores. These lenders held over 80% of bank deposits in the country. And another six private banks were nationalised in 14th April 1980.

Such Nationalisation took place, to energise priority sectors at a time when the large business houses dominated credit profiles and aimed at mobilizing the savings of the people to the largest possible extent and to utilize them for productive purposes by focussing on opening up of bank branches in the rural and backward areas. All banks had to compulsorily set aside 40% of their net bank credit for agriculture, micro and small enterprises, housing, education and to benefit the"weaker" sections.

Nationalisation of Banks led to Increase in Savings, the opening of new branches in unbanked areas, Doubling of Gross domestic savings, Improve in bank efficiency thereby boosting the confidence of the public in Nationalised banks. The sectors that were lagging like small-scale industries and agriculture got a boost. This led to an increase in funds and thus increases in the economic growth of India. The share of bank deposits to GDP, the gross savings rate, the share of advances to GDP, the gross investment rate etc rose visibly. Nationalisation also demonstrated the utility of monetary policy in furthering redistributionist goals. Banks were no longer confined to only metropolitan or cosmopolitan in India. The Indian banking system has reached even to the *remote corners of the country. Another purpose of nationalization was to promote rapid growth in agriculture, small industries and export, to encourage new entrepreneurs and to develop all backward areas. Such goals and dream of the general public are being fulfilled by the Nationalised Banks for 51 years. Differential interest rate scheme, Lead Banks scheme, the RRBs and NABARD were results of such thought processes. As a result, the share of institutional sources in the outstanding debt of rural households increased exponentially.*

PRIVATISATION:: As the world economy tends to become one global village, privatization as a policy norm seems to override political compulsions and is seen as an instrument for achieving competitive efficiency and resource optimization. Privatization is claimed to be beneficial for the growth and sustainability of state-owned enterprises. Following the trend of privatization across the world, the Indian government in the 1992s introduced privatization amid hue and cry from many of the political and social groups. In the early 1990s, the then Government embarked on a policy of Liberalisation, licensing a small number of private banks. Nowadays privatization is being seen as a solution towards the problems of public enterprises as these enterprises on being transferred from the public to the private hands will become less politicized which as a result will help in ceasing the administrative corruption. It is also thought to help in increasing the tax revenues from profits and strengthening the public treasury. Privatization is expected to give ample space for creative and innovative thinking as well as systematic and strategic planning to realize the full potential of the economy.

However, there are certain adverse impacts of Privatization. The concept of welfare state may get defeated with the Privatization of the economy. The private sector would not care about society as its main objective is to earn profits. While Government or Public sector companies also keep doing social work simultaneously. In case privatization happens, it will result in fewer funds for society because private companies have no obligation to do social work. Privatization will also result in the retrenchment of employees. In private sector enterprises, there is an emphasis on performance which indirectly results in work pressure and meeting deadlines or targets and individuals who have been doing work under SERVICE Sector, for years without much pressure find it difficult to adjust to the new system. Risk of short term gains is prominent in private companies. There are decisions to start ventures which result in short term benefits but may not be good for the long term.

Coms. on one hand, the Government claims that Public Sector Banks are more and resort to Amalgamation, starting with New Bank of India with PNB in 1993, State bank of Sourashtra into SBI in 2008, State Bank of Indore into SBI in 2010, then the rest 5 Associate Banks with SBI and now 10 PSB's into 4 after the merger of Vijaya and Dena Bank into Bank of Baroda on 1st April 2019. On the other hand hassle, free permissions are being extended to Payment Banks & Small Finance Banks. In name of rising NPA's, Banks like IDBI are being Privatised. While Banks are being forced to extend loans with all relaxations, no concrete steps are being initiated for ensuring repayments. While lending requirements are being relaxed, Recovery steps are being questioned and discouraged through various advisories. It has to be understood that the amounts such forced to lend is the hard-earned savings & small deposits of the common public. While Government plans to go for disinvestment through the sale of its shares in PSB's, it is understood that a preparation to bring in Financial sector development and resolution bill to bring in "Bail-in" clause similar to the one in the earlier FRDI Bill in on the move.

The VRS in BSNL, Leave without pay & allowances to be introduced in Air India, Privatisation of Railway routes and reduction of vacancies are experienced. There is an evident threat on job & job security in PSU's. While allowing such disinvestments the Government never took into consideration, the services being extended by such PSU's viz BSNL during the deluge in various states across the country & Air India lifting people stranded outside India during the COVID -19 Pandemic to name some. The proposed Strategic disinvestment in LIC of India and BPCL are all warning signals to Public Sector Undertakings.

Coms as we today celebrate the 51st year of Bank Nationalisation, the threat of Privatisation looms large. Let us on this day pledge to fight to safeguard the hard-earned savings of domestic savers and not to allow to be set apart towards bad loans of the Corporates.

*Yes, let us all, together **Protect Nationalised Banks and not let the Goose that lays Golden Egg to be killed** by the present owners of these banks.*

With revolutionary greetings

H VINOD KUMAR
GENERAL SECRETARY