

An open letter to the Hon. Finance Minister

From Uncle Joe

Sir,

I am a retired Bank employee, having retired in 1984. I have only retired from the bank but not from life and the unending struggles of "middle class", who were once described as "victims of development" by another former illustrious Finance Minister late T T Krishnamachari.

I have been associated with Trade Union movement of Bank Employees -AIBEA- from its formative days in 1950's in Bombay and later in Tamil Nadu. I continue my link with Unions even now in spite of my age because I am not yet old. This is a brief introduction about the humble self and "qualification" to write this letter.

Some of your comments about Banking Industry are amazing, amusing, and "thought provoking". You are an eminent lawyer and an intellectual giant. I am a pigmy and no match for you. Yet with all humility and limitations, I write this letter for my own understanding and clarity and for the benefit of public in general and Bank Employees in particular.

You have said recently that "write off" of NPAs is not a "waiver". I have understood that write off is a necessary provision in Balance Sheets of all public limited companies including banks. It is a part and parcel of Bookkeeping.

If we use the phrase "waiver" it will be easily understood by common people. Therefore, a deceptive phrase "write off" is being used. In our days, NPAs were known as Bad and Doubtful Debts and a more sophisticated and respectable acronym NPA replaced bad and doubtful debts. I am yet to understand how an asset could be called non performing and vice versa!

During the last four years, 21 public sector banks wrote off Rs.3,16,000 crores and during this period, Rs.44,000 crores were recovered. What is the percentage of recovery and what rate and speed? No one knows whether this "write off" amount would ever be recovered even if one waits for a lifespan. Technically, you are correct that write off is not a waiver but in practice and in course of time it ends in "waiver".

Chambers's 20th Century Dictionary, gives the meaning of "Write Off"; "to cancel especially in book keeping, to take as a bad debt, off the books (fig) to regard, accept as an irredeemable loss". Oxford Dictionary gives the meaning as "a cancellation from an account of a bad debt or worthless asset". Therefore, your statement that not even a rupee has been waived, does not match with the factual position.

It is true that "waiver" is generally used for agricultural loans because our poor Kisan has no Balance Sheet to hide and therefore he commits suicide and we are often silent spectators!

Next point is about the manner in which the NPAs are being restructured. NPAs are sold in "auction" to private companies for an amount much lesser than outstanding loans viz. Bhushan Steels, Electro Steel etc. This is being called as "haircut". In fact, this is a "clean shave" and in South we call it "Tirupati Mottai". This is another kind of legalised looting of people's money.

Another "thought provoking" point is your clarification about bailing out of private sector companies at the expense of people's money, in the name of economic and market stability. What is this market? Stock Exchanges are only legalized gambling dens. The rise and fall of the Stock Market is often manipulated. For instance, in the second week of October, there was a crash in the Stock Market. While companies like TCS, ITC, Infosys etc. suffered a huge loss, Ambani group, Kotak Mahindra etc. made large profits. Is it advisable to link our economy to the speculative market?

The manner in which escape routes provided to IL&FS via LIC & SBI is really confusing even to you because, you have to come out with more and more clarification. A respectable Daily, The Hindu dated 16-10-2018 in its business page gave the headline "IL&FS - a RIDDLE wrapped in mystery. Your clarification appeared next day and made it an ENIGMA wrapped in a mystery and an average citizen who tries to understand matters, is baffled.

While you are anxious to save private sector, public sector is being starved systematically and destroyed. We are made to swallow that a fortnight old company Reliance Defence is more experienced than 78 years old HAL. About other controversies related to Rafael Deal, I am experienced enough to understand that it is like "the pot calling the kettle black" and a debate is futile and a luxury.

Again the contract for ship building, repairs, Dockyard etc. is given to private sector ignoring Cochin Shipyard. The report is that a Shipyard in Gujarat which is in trouble is likely to be handed over to private sector and this is a help in advance extended to private sector.

To help private sector, even huge funds of EPF and Pension fund management is given to Ambani's insurance companies and Foreign players like Japanese Nippon Insurance ignoring domestic players like LIC.

In this context, with respect, I would like to remind you, of the almost "dead" Swadeshi Jagaran Manch - a part of "Parivar" and the slogan of "Swadeshi". It appears that "Reliance" has replaced "Self Reliance" and "Swadeshi" has been driven out by "Videshi".

Another form of restructuring is being introduced - Merger of Banks. Last year, five Associate Banks were merged with SBI. Have we evaluated the results of this merger? The result is an increase in NPAs of SBI and it suffered a loss for first time in its history. There is an old quote, "greatest lesson of History is that, man has never learned the lessons of History".

With all the power at your command, why not take strict action against defaulters? Neither the UPA nor NDA have the courage to act against the Corporates, because of proximity of governments with the Corporate Class. This is nothing but crony capitalism which you attribute to others. The Merger of Banks is like the old saying that "A SICK MAN ENJOYED BAD HEALTH".

A word about the private sector. You must have heard about a book "Polyester Prince" by Hamish McDonald published in 1998. I have not seen the book. If my memory is correct, I have read about the book in "OUTLOOK" (?) weekly during those days. This book gives graphic description about the rise of late Dhirubhai Ambani, the founder of Ambani Empire. The book was withdrawn within hours after its publication from sales and never saw light again. For those misdeeds and manipulations referred to in this book, past Governments, gave silent consent by closing their eyes. Almost all the

industrialists who built Chota empires of their own were speculators and manipulators. Tatas, Birlas and some others may be an exception. Old stories continue to be repeated through the second generation, though there is a change of Government. It appears, whoever may be in power, capitalism continues to rule by proxy.

Joseph Stiglitz, a former senior Vice President of World Bank and Nobel prize winner for Economics wrote, "Economics as a science is replaced by international financial community". More than a century ago, Karl Marx expressed this in a single, simple sentence. *"STATE IS AN EXECUTIVE COMMITTEE OF THE CAPITALIST CLASS"*.

I draw your kind attention to a recent report by PTI from Washington that 28 Indian companies have been debarred for fraudulent and corrupt practices. Again you are aware that "prosperous" Satyam Computers collapsed. Global Trust Bank which had phenomenal growth disappeared. The international giant "Enron" evaporated. All these companies were audited by reputed auditors.

They helped these companies to manipulate the Balance Sheets to boost artificial growth. Auditing firms collaborated with Corporate companies to mislead the public. Therefore, Trade unions call auditors honest brokers between regulatory authorities and companies and *BALANCE SHEETS ARE "LYING MANIFESTO OF CORPORATE CLASS"*.

It has become a habit to blame UPA government for all the ills of the country. At the same time, you are implementing all the policies of UPA. For example, Aadhaar, GST, liberalization of economy, restructuring of banks and NPA etc. It would be rewarding to recall comments and criticism of your party while you were in the Opposition. *PUBLIC MEMORY IS SHORT AND POLITICAL PARTIES SURVIVE!*

The only difference is that UPA was doing it with hesitation and an element of "cultivated" shyness, because they had the heritage of National movement, planned economy etc. You are implementing the same policies aggressively and with an element of "calculated" arrogance because of your majority and you do not have to carry the baggage of heritage or building of an India from scratch. The fundamentals of our economy which we all claim is sound was built on the foundation of the past with all its faults. I must with all respect remind you that *HISTORY OF INDEPENDENT INDIA DID NOT BEGIN FROM 2014. "ALL PEOPLE CANNOT BE FOOLED ALL THE TIME"*.

Incidentally, I am tempted to express that I do not understand the logic of GST on eatables. For example, if we take a cup of Tea and a plate of pakoda in an ordinary restaurant, we have to pay GST. Instead of taxing the poor, why not tax 0.05% tax on daily turnover of Stock Exchanges as suggested by an American Economist James Tobin?

Before I conclude, I must acknowledge your natural gift of wisdom and wit. You make fun of the Opposition. You tell them that "they are experts without knowledge", "lack elementary knowledge of book keeping and write off", "clownish" etc. You referred to your professional experience and the advice seniors give to junior lawyers that if they are strong on law, bang on law, if they are strong on facts, bang of facts and if they are weak on both law and facts, then "bang on the table".

At times, I feel that this is exactly what we do now on Demonetization, Rafael Deal, NPA, Write off, Merger of Banks, IL&FS etc. With all humility, I have to remind you that Charlie Chaplin, who was the greatest clown of my generation, with his clownish jokes provoked us to think aloud, exposed our limitations including that of Adolf Hitler, punctured our inflated ego and brought us down to earth.

Finally, a word about wage revision of Bank employees. Negotiations are prolonged. The latest proposals of profit linked wages are being proposed by creating different scales for different banks taking Bank employees to primitive and formative days of the industry. With relentless struggles, bank employees achieved uniform pay scales for all banks *BASED ON EQUAL PAY FOR EQUAL WORK*. Bank Employees will not allow anyone to snatch away this achievement. **ONE CANNOT WALK BACKWARDS INTO FUTURE**. Even otherwise, it is not wise for the industry in the long run. Kindly beware of Consultancy firms which advise IBA and Banks and have landed Banks in a mess and misery.

Even in USA, the citadel of Corporate Capital, wages are not linked to profit. From the formula that IBA had handed over to UFBU, no one can make out head or tail of it. Kindly advise IBA to come down to earth and negotiate practically with Unions and not dilly dally with sterile theories. Ultimately strings are in your hands and your positive intervention will help to expedite and clinch the final settlement.

If bank employees are driven to the wall, there will be struggles and strikes. At this stage of our economy, facing a crisis which is admitted by your Senior Cabinet colleague, would damage the National Economy further because Banking industry is the fulcrum of financial activities around which the Nation revolves. Therefore, Bank employees should not be driven to take extreme steps. To the last moment, Bank employees being a matured section of enlightened middle class with seven decades of experience in struggles, negotiations on various forms of wage fixing bodies and Ten Bipartite Settlements behind them, would not plunge into all out action and cause any damage to the National interest. Kindly do not mistake it as our weakness. It is our patriotism, maturity and confidence that legally and morally we are right and ultimately we shall win. **WHEN WE STRIKE, WE STRIKE HARD. MAKE NO MISTAKE. THIS IS A PROMISE.**

Hope you will have the patience to listen to the problems of Bank employees and act before it is too late. With folded hands,

Thanking you,

Yours respectfully,

K J Joseph

* Com K J Joseph was Asst. Secretary of AIBEA from 1955 to 1962.

Released by



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