



ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: "PRABHAT NIVAS" Regn. No.2037
Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001
Phone: 2535 1522 Fax: 2535 8853 Web: www.aibea.in
e mail ~ chv.aibea@gmail.com & aibeahq@gmail.com

Why we oppose merger of Banks ?

- **Banking density in India much less than many countries:** Compared to many countries of the world, banking density is relatively low in India and hence there is huge scope and need for expansion of banking industry. There is no need for consolidation and amalgamation of banks. India needs expansion of banking sector to cover all sections of people.
- **India needs banking expansion, not consolidation:** There are thousands of villages where banks have not reached. There is huge exclusion of people. Hence Banks need to be expanded. There is no need for consolidation.
- **India has a large space for further banking expansion:** The number of Banks in USA with just 323 million population is far more than Banks in India with a population of 1.35 billion. India is not overbanked. There is no need for consolidation.
- **India needs financial inclusion, merger will exclude small people from banking map :** Because banking has not reached all people, Government launched Jan Dhan Yojana. Now they have launched Jan Dhan Yoja II. This means we are yet to reach all sections of people. So we need to expand banking services. Mergers will result in shrinkage of banking. Hence there is no need for mergers.
- **India needs good Banks, not big Banks:** Mergers are proposed to make our Banks bigger to cater to increasing demands for large-sized loans. Bigger the loan, higher the risk. Already Banks are suffering from big corporate defaults. Hence Banks should not be made bigger by merging them. Hence mergers are not needed.
- **Merger will not make Banks stronger:** Government argues that Banks would become stronger by mergers. There is no evidence to this conclusion. 2 years ago, 6 Banks were merged with SBI with this argument. But SBI has not become any bigger. Rather, problems of SBI have become bigger. Branches have been closed. Staff have become surplus. Business expansion has slowed down. NPAs have gone up. Thus Banks will not automatically become big by merger of Banks.
- **Too big to fail is a bogus theory:** The earlier belief that 'too big to fail' has become a myth now after the US banking crisis. Big Banks have collapsed like pack of cards. Thus big banks mean bigger risk. India cannot afford to take such risks. Hence mergers and making our banks big is to be avoided.
- **More bad loans in SBI after mergers:** Mergers are proposed so as to resolve the problems faced by the Banks. Bad loans are the main problem facing the Banks. Can anyone believe that merger will result in recovery of bad loans. Obviously not. After merger of 6 Banks with SBI, the NPA went up. Hence it is also a wrong presumption.

- **Don't divert public attention from NPA to mergers:** To resolve the problem of bad loans facing the Banks, Government should take tough measures to recover the bad loans. Instead of that, the Government is trying to divert the attention and focus by resorting to merger of banks which is unwarranted. Bad Loans in the 10 Banks proposed to be merged today are **Rs. 3,16,632 crores**. Whether these bad loans will automatically be recovered if these Banks are merged ?
- **Merger will not help to recover bad loans:** Merger of banks and consequent issues arising from such mergers will put the issue of bad loans in the backburner. This is what happened in SBI after merger of 6 Banks with SBI. Hence Banks will further suffer.
- **Merger will not make our Banks global banks:** Another argument is that Banks would become globally competitive by mergers and help to create very big Banks. All global Banks operate with much higher capital levels like \$ 60 Billion, \$ 70 Billion, etc. Even if all our public sector Banks in India are merged into one Bank, the combined equity capital would be only around \$ 4 Billion(Rs. 30,000 crores). Thus we cannot match these global banks in terms of their capital strength. Hence mergers would not make our Banks equal to those global banks.
- **Merger of Banks means murder of branches:** Mergers will surely result in closure of branches, whereas we need branch expansion to make banking accessible to all. Mergers and branch expansion are anti-thesis.
- **Shri Shiv Pratap Shukla, Hon Minister of State for Finance replied in Parliament on 21-12-2018 that 6950 Branches have been closed and merged due to merger of Associate Banks with SBI.**
- **Mergers are threat to job security:** Mergers also would result in surplus staff due to large scale closure of branches. Employees would be displaced and dislocated to other stations. In the long run this would affect our job security. When we need more job security, mergers will endanger job security.
- **Mergers will kill employment opportunities for the unemployed youth:** Banking expansion will result in more employment both directly and indirectly. But by merger of Banks, future employment is virtually pre-closed. In India we need more jobs for our young people. Mergers are anti-employment.

STOP MERGER OF BANKS
STOP CLOSURE OF BANKS
START RECOVERY OF BAD LOANS
DON'T DIVERT NATION'S ATTENTION



C.H.VENKATACHALAM
GENERAL SECRETARY