



## STATE BANK OF HYDERABAD STAFF ASSOCIATION

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**CIR. NO. SA-CO/49 /2014**

**DATE: 25.03.2014**

**ALL THE MEMBERS:**

**Dear Comrades,**

**We reproduce hereunder the CIRCULAR LETTER NO. 27/54/2014/10, dated: 22<sup>nd</sup> March, 2014, issued by our National Organization – AIBEA, for your information.**

**With Greetings,**

Yours Comradely,

**(JAGDISH M BHAVTHANKAR)  
GENERAL SECRETARY**

Dear Comrades,

### ▪ **Protest against issuance of Banking License to Corporate houses**

Units are aware that as part of the banking reforms agenda, the Government has pursuing various issues like reducing Government's equity in public sector banks, encouraging private and foreign banks, diluting rural and social banking, etc. Another important effort has been the attempt to grant banking license to business and corporate houses. It is well-known that prior to nationalization, the very same corporate houses were owning various Banks in our country and it is history as to how they mismanaged the banks and misused people's money. Today when the banking sector has so much expanded, these people again want to enter banking business. It cannot be forgotten even today that the bulk of the bad loans of the Banks are attributable to these big ticket borrowers and the corporate houses. It is a shameful irony that when in the recent years, the banking sector in many parts of the world, particularly in USA has faced debacle and many private Banks have collapsed or had to be bailed out with tax-payers' money, our Government is in a hurry to grant banking license to the private business and corporate houses. In many parts of the world, where the Corporates were given banking licenses, the model has been a failure. Many experts have given their opinion that the Government and RBI should not go ahead.

Even the Parliamentary Standing Committee on Finance has submitted its unanimous report with the following conclusions:

**“ Banking being a highly leveraged business involving public money and public welfare, the Committee are of the considered opinion that it will be more in the fitness of things to**

**keep banking and industry separate. The Committee therefore desire the Government / Reserve Bank of India to review the licensing guidelines accordingly.”**

But despite all these views and opinions, the RBI, obviously at the instance of the Government, has decided to go ahead with the grant of banking licenses to the private corporate and business houses. It is reported that in view of the ensuing elections, the RBI has referred the matter to the Election Commission to get their approval to go ahead with the issue of licenses.

Hence, from the AIBEA, we have addressed a letter to the Chief Election Commissioner urging upon him not to give their permission to the RBI to issue these banking licenses pending election of the new parliament and formation of the new Government. The new Government which will come in power can apply their mind and reconsider the decision. Hence it is necessary to await till the elections are over and wait for the new Government to take a view.

We request all our unions also to write similar letters to the Chief Election Commissioner. We must also get ready for other programmes, if the Election Commission gives their nod and RBI chooses to go ahead with the new banking licenses.

The draft of the letter to be addressed the CEC is given herein.

With greetings,

Yours Comradely,



**C.H. VENKATACHALAM  
GENERAL SECRETARY**

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***Nobel laureate Joseph Stiglitz said corporates should not be allowed to enter banking space as it has the potential to create conflict of interests.***

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**Allowing corporates to run banks may be “a risky move,” said the former Chief Economic Advisor (CEA) to the Union Government, Arvind Virmani**

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..... (Union),

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To

Date : .... 3-2014

Shri. V.S. Sampath,  
Chief Election Commissioner,  
Nirvichan Bhavan,  
Ashoka Road,  
New Delhi – 110 001.

**email: vs.sampath@eci.gov.in**

Sir,

### **Banking License to Corporate houses**

This is to draw your attention to the recommendations sent to the Election Commission by the Reserve Bank of India seeking its permission to grant banking licenses to private business and corporate houses.

You are well aware that banking sector has seen a metamorphosis and transformation after the Banks were nationalized in 1969 and 1980, and today public sector banking has become the backbone and mainstay of country's economic development and progress. While there is need to strengthen and expand public sector banking, the Government has been pursuing various agenda like privatization, mergers, opening up the banking industry to private and foreign capital, etc. The Government also wants to grant licenses to private business and corporate houses to start their own Banks. We learn that the RBI which is processing the applications, has recommended to the Election Commission to permit them to issue the new banking licenses without waiting for the new Government to be formed.

In this regard we wish to point out that the Parliamentary Standing Committee on Finance, after threadbare deliberations, has submitted its unanimous report with the following conclusions:

***“ Banking being a highly leveraged business involving public money and public welfare, the Committee are of the considered opinion that it will be more in the fitness of things to keep banking and industry separate. The Committee therefore desire the Government / Reserve Bank of India to review the licensing guidelines accordingly.”***

All are aware that the Standing Committee on Finance consists of 31 Hon. Members of Parliament representing almost all political parties including Shri Yeshwant Sinha, leader of BJP, Shri Rahul Gandhi of Congress Party, Shri Gurudas Dasgupta of CPI and MPs from CPI-M, TMC, SP, BSP, Shiv Sena, NCP, BJD, AIADMK, etc.

Thus it can be clearly seen that there is a political consensus on this vital issue that granting banking license to the corporate industrial houses would result in conflict of interest and banking institutions which mainly leverage on the savings of the people, cannot be left to the corporate whims.

It is our bitter experience borne out of bare facts that a very large part of the bad loans in the Banks today are constituted by huge loans taken by the private corporate sector and business houses most of which are willful defaults.

Prior to nationalization of the Banks in 1969, most of the Banks in India were owned by one or the other industrial or business house. Their mismanagement and abuse of people's money resulted in nationalization of Banks.

Hence, handing over banking licenses to corporate and business houses is a clear retrograde move. Particularly, when the country is moving towards general elections to elect a new Parliament, RBI's hurry in this regard overlooking the political views of the Parliament would be unfair.

We urge upon you to appreciate the above viewpoints and not give any permission to the RBI to go ahead with granting of banking licenses to the corporate houses.

Thanking you,

Yours faithfully,

General Secretary

Copy to:

General Secretary,

All India Bank Employees Association

164, Linghi Chetty Street, Chennai-600001