



ALL INDIA REGIONAL RURAL BANK OFFICERS' FEDERATION

(Affiliated to AIBOC)

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All Affiliates/ Members
(Please re-circulate)

Sub: UNILATERAL AND UNREALISTIC PROPOSAL TO MERGE VAST LOSS MAKING INDIA POST PAYMENT BANK (IPPB) WITH REGIONAL RURAL BANKS (RRBs) QUITE CONTRARY TO THE STATED OBJECTIVE TO ENSURE FULFILMENT OF THE INTEREST OF RURAL ECONOMY

We reproduce hereunder the full text of UFRRBU Circular No.UFRRBU/2020-21/15 dated-07.08.2020 on the above subject for information of all concerned.

With greetings,

(Srijan Kumar Pal)
General Secretary

Quote

UFRRBU/2020-21/15

7th Aug.2020

Smt. Nirmala Sitharaman ji
Hon'ble Finance Minister,
Government of India, North Block,
New Delhi- 110001
fmo@nic.in, appointment.fm@gov.in

Madam,

UNILATERAL AND UNREALISTIC PROPOSAL TO MERGE VAST LOSS MAKING INDIA POST PAYMENT BANK (IPPB) WITH REGIONAL RURAL BANKS (RRBs) QUITE CONTRARY TO THE STATED OBJECTIVE TO ENSURE FULFILMENT OF THE INTEREST OF RURAL ECONOMY.

In the Financial Express daily news paper dated 27.07.2020 and in some other dailies, the news item has been published stating - " the Government may merge loss-making entities India Post, along with the regional rural banks (RRBs), into a full-fledged public sector bank to beat down the mounting losses and the Centre may control these entities via a holding company. Both RRBs and Post Payments Banks (PPBs) will be subsidiaries of the new entity and both PSBs and states would have the option to monetize or divest their stakes in RRBs."

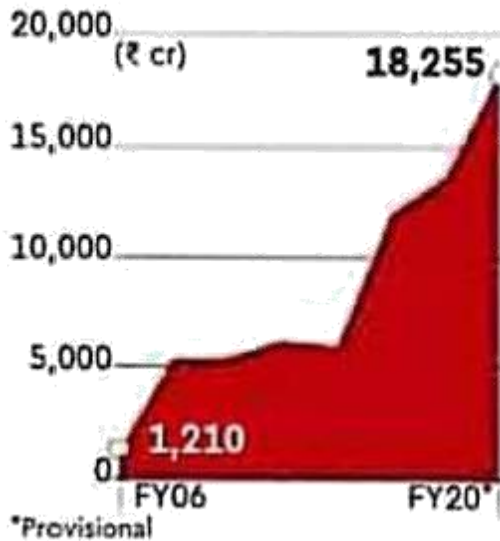
As appeared in the news paper India Post has a total workforce of 4.2 lakh employees and 1.56 lakh branches across the country but its finances are crippled by the policy decisions about its functioning and operational limitations in the matter of total restriction in lending activities etc. Whereas RRBs are functioning with its 23 thousand and more branches and with around one lac staff strength.

As reported in the news item, the text goes on as - "RRBs are relatively better off financially compared to India Post, which is estimated to have posted its highest-ever loss of Rs 18,255 crore (also highest by any public-sector entity) in FY20. RRBs posted a loss of Rs 548 crore in FY19 compared with a net profit of Rs. 1,501 crore in FY18. Outstanding advances of RRBs stood at Rs 2.8 lakh crore as on March 31, 2019, up 11.3% on year. About 91% of their loans were to priority sectors such as agriculture, MSMEs, education and housing. Whereas IPPB, as a payments bank, can't accept deposits above Rs 1 lakh per customer; also, it can't lend.

India Post's viability is weighed down by high pay-and-allowance costs, now at over 100% of its annual revenue. India Post's FY20 pay and allowances were estimated to be Rs 17,451 crore or in FY20 or 142% more than revenues of Rs 12,211 crore. The employee cost itself was Rs 27,722 crore in the last fiscal, more than double the total receipts." Whereas RRBs have achieved accumulated profit.

The position of the India Post has been shown in the following graph as on FY06 to FY20.

India Post's losses



In view of above, consolidation of RRBs and IPPB, the two different institutions with different acts / rules with diverse characteristic, may not be a viable proposition and it would be detrimental to the interest of rural economy.

We, therefore, appeal to you to please drop such anomalous / unilateral / unrealistic proposal, as appeared in several news papers, and further, in any case consolidation is inevitable, the matter may be discussed with all stake holders including representatives of United Forum of RRB Unions to take appropriate decision in the larger interest of strengthening rural economy. Thanking you.

Yours
faithfully,

Shiv Karan Dwivedi
General Secretary
NFRRBE

GG Gandhi
General Secretary
AIGBEA

K. Rajeev
General Secretary
AIGBEC

BN Dubey
President
NCRRE

Abdul Sayeed Khan
General Secretary
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DN Trivedi
General Secretary
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Srijan Pal
General Secretary
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Copy for information and necessary action to -

1. The Secretary, GOI, MOF, DFS, Parliament Street, New Delhi. secy-fs@nic.in
2. The Chairman, NABARD, HO, Mumbai, chairman@nabard.org

Unquote