



# ALL INDIA BANK EMPLOYEES' ASSOCIATION

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## Banking Literacy Campaign : 2

### WHO SERVES RURAL AREAS & SMALL BORROWERS ? PSBs or Private Banks ?

For the past three decades, in the name of new economic policies, successive Governments have been pursuing and advocating banking reforms measures like privatisation of Public Sector Banks, encouragement to private sector banks, open tap banking license policy, liberalisation of banking regulations, weakening, if not dismantling, social banking, concessions to corporate defaulters, weakening priority sector credit, commercialisation of rural credit, etc.

There is repeated and orchestrated propaganda from votaries of private sector banking that public sector banks are not efficient, public sector banking is no longer relevant, private banks serve the people more efficiently, etc.

#### **Nationalised Banks – pillars of our economy:**

Banks were nationalised in 1969 with a very clear social and economic objective of broad-basing the economy and its development. In the last more than 50 years, public sector banks have made a phenomenal contribution in building up a strong economy with a visible social orientation. 8000 Branches have become 86,000 bank branches today, out of which 42,000 branches are located in rural and semi-urban areas which were earlier neglected. Credit to priority sector has boosted our economy resulting in achievements like green revolution and white revolution, boost to agriculture sector, job generation, rural development, poverty reduction in village areas, etc.

In 2008 when the entire globe was facing financial turmoil and banking tsunami, where private banks all over the world collapsed like a pack of cards, Indian banking system was safe because of our public sector banks.

#### **Govt. wants sabke saath, sabka vikas but wants to cut the lifeline to prosperity:**

The Government talks of progress and prosperity for all but unfortunately, they are pursuing the policy of privatisation of banks who will not come forward to participate in the Government schemes and plans to ameliorate the economic conditions of the poor people and common masses, particularly those who are in the rural areas.

It is only the public sector banks which have stood by and even today stand by the common people and rural economy.

For example, see the following Table ( Fig. of March, 2020 )

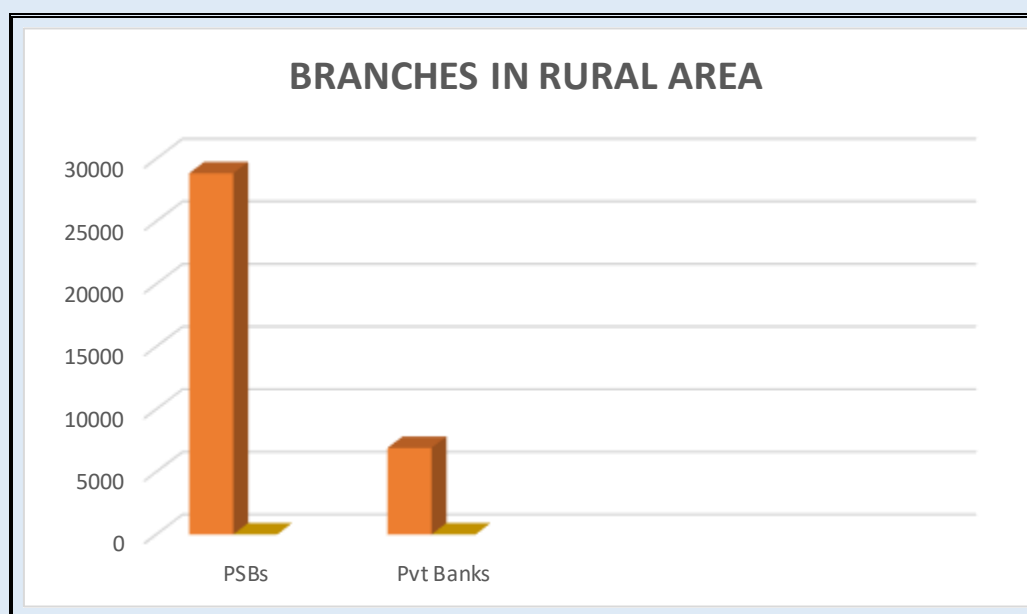
<b>Total Branches of Scheduled Commercial Banks</b>	<b>1,46,811</b>	
<b>Out of which, Total No. of Rural Branches</b>	<b>51,572</b>	<b>35 %</b>
<b>Rural Branches of Public Sector Banks</b>	<b>28,843</b>	<b>56 %</b>
<b>Rural Branches of Private Sector Banks</b>	<b>6,907</b>	<b>13 %</b>

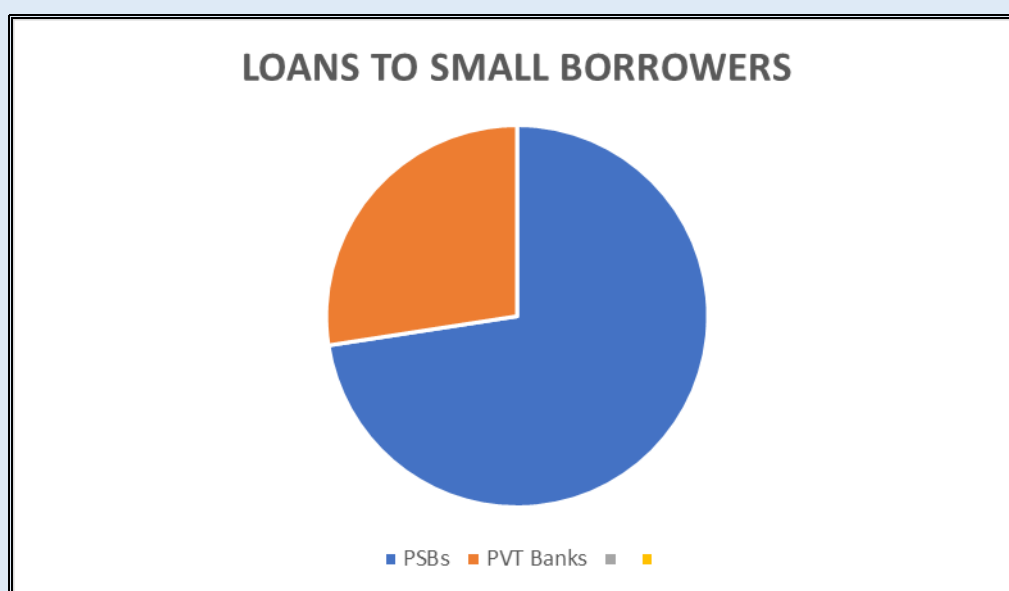
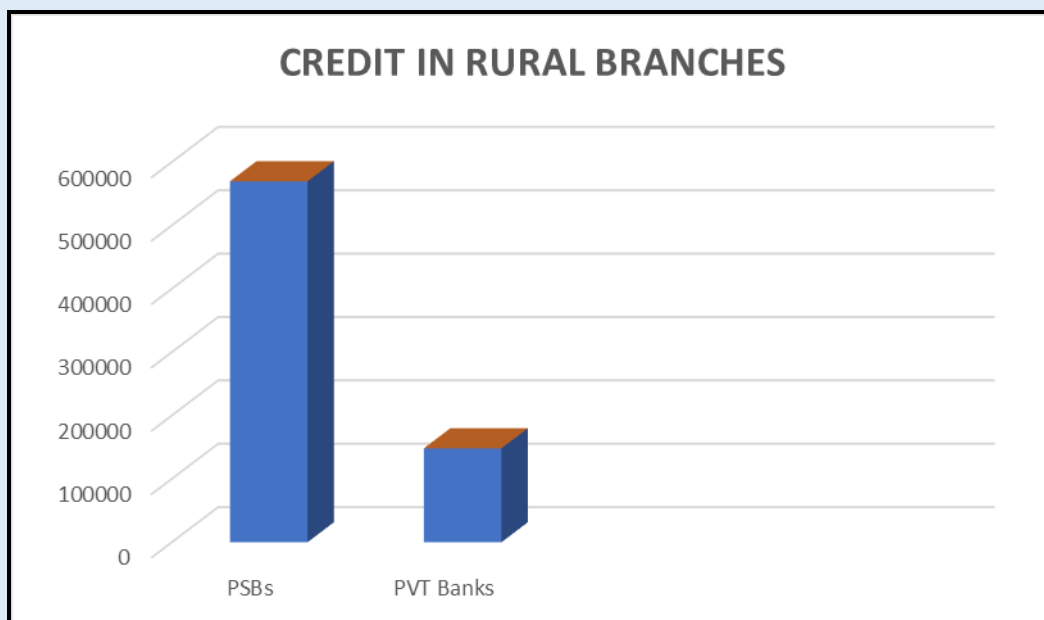
<b>Total Loans given by Scheduled Commercial Banks</b>	<b>105,18,812 cr</b>	
<b>Out of which, total Loans given in Rural Branches</b>	<b>9,10,816 cr</b>	
<b>Total Loans given by PSBs in rural branches</b>	<b>5,69,700 cr</b>	<b>63 %</b>
<b>Total Loans given by Private Banks in rural branches</b>	<b>1,48,297 cr</b>	<b>16 %</b>

<b>Total Loans given by SCBs – No. of accounts</b>	<b>27.25 cr</b>	
<b>Out of which, No. of Loan accounts in Rural Branches</b>	<b>7.86 cr</b>	
<b>Total Loans accounts by PSBs in rural branches</b>	<b>3.37 cr</b>	<b>43 %</b>
<b>Loans accounts by Private Banks in rural branches</b>	<b>2.57 cr</b>	<b>33 %</b>

<b>Total Loans given to Small Borrowers by SCBs</b>	<b>9,23,831 cr</b>	
<b>Out of which, given in Rural Branches</b>	<b>3,50,947 cr</b>	
<b>Given by PSBs in rural branches to small borrowers</b>	<b>1,80,401 cr</b>	<b>51 %</b>
<b>Given by Pvt. Banks in rural branches to small borrowers</b>	<b>68,205 cr</b>	<b>19 %</b>

<b>Loans given to Small Borrowers by SCBs– No. of accounts</b>	<b>20.96 cr</b>	
<b>Out of which, given in Rural Branches</b>	<b>6.68 cr</b>	
<b>Loan a/cs by PSBs in rural branches to small borrowers</b>	<b>2.60 cr</b>	<b>39 %</b>
<b>Loan a/cs by Pvt. Banks in rural branches</b>	<b>2.43 cr</b>	<b>36 %</b>





Thus we can observe that the public sector banks have far more number of branches in the rural areas (56%) than the private banks (only 13%). If banks are privatised, this rural emphasis will be shifted to urban areas and rural economy will further suffer. Can we allow this to happen?

Similarly, out of the total loans given by the scheduled commercial banks in the rural areas, 63% of the loans are given by the public sector banks while the share of private banks in rural credit is only 16%. Is it not clear as to who serves the rural areas more?

Again, when you compare the loans given in the rural areas to small borrowers, we can find that 51% of the loans to small borrowers in the rural areas are given by the public sector banks and the contribution of private banks is only 19%.

**Privatisation of Banks will hurt the rural economy.**

**Fight to Save Public Sector Banks – Fight against Privatisation – Save rural India**