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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

How Modi is violating his own rules by filling PSU Boards with BJP workers

These include ONGC (Sambit Patra), Engineers India Ltd (Shazia Ilmi), Cotton Corporation of India Ltd (Rajika Kacheria)

E A S Sarma | The Wire , BUSINESS STANDARD

The decision to nominate BJP workers as non-official directors makes a mockery of the party's 1998 manifesto and the government's own guidelines issued in 2015.

In an interview to the Wall Street Journal (WSJ) in mid-2016, **Prime Minister Narendra Modi repeated his favourite maxim, "minimum government, maximum governance."**

He specifically went on to state, "in a developing economy, state enterprises do have a role in some sectors. They have to be managed professionally and efficiently. We have given them operational freedom and brought in talent from the private sector as well to facilitate this."

Considering that the NDA government had until that point largely remained inactive when it came to reforming India's central public sector enterprises (CPSEs), these statements kindled a hope, though belated, among all those who expected the CPSEs to become professional, efficient and functionally autonomous. There was hope that CPSEs could eventually set optimal benchmarks of performance for the private sector and create a competitive environment conducive to economic efficiency. There was also an all-round expectation that Modi would indeed come up with a "surgical strike" at CPSE reform that would, in his own words, "reform, perform and transform" governance.

The measures taken by the government since then have belied that hope. It has been business as usual for the CPSEs or even worse.

During the first two years of its coming to power, the NDA government went about with a clinical precision, replacing the independent directors of several CPSEs and in the process, raising apprehensions about the decision's underlying motives. One glaring and questionable intervention made by the NDA government was in the case of the Oil and Natural Gas Corporation (ONGC), which was more or less strong-armed into acquiring a sizeable share of Gujarat State Petroleum Corporation (GSPC), a state enterprise that was indicted by the Comptroller and Auditor General of India (CAG) for taking a series of dubious investment decisions that drove it into a debt trap. There is no doubt that the acquisition of a stake in GSPC hurt ONGC's finances and its credibility as a 'Maharatna' company.

Keshav Dev Malaviya, a political visionary of a rare kind who presided over the Ministry of Natural Resources (later became Ministry of Petroleum and Natural Gas) founded ONGC as a CPSE in 1956. He was undoubtedly the father of the domestic petroleum industry in the country. He considered ONGC a symbol of self-reliance in hydrocarbon development and a bulwark against foreign oil companies that dominated the sector till they were nationalised during the 1970s. He perceived ONGC as a professional institution par excellence and would never have dreamed of it becoming an institution affected by political patronage and manoeuvring as seems to be the case today.

A year after Modi's prophetic interview with the WSJ, his **government took the patently retrograde step of nominating BJP spokespersons and party workers as non-official directors of eleven odd CPSEs,** many of which are 'Maharatna' and 'Navaratna' companies, which are expected to have a great deal of functional autonomy and be managed by professionals with experience.

These include

- **ONGC (Sambit Patra),**
- **Engineers India Ltd (Shazia Ilmi),**
- **Cotton Corporation of India Ltd (Rajika Kacheria),**

- **Hindustan Petroleum Corporation Ltd (Asifa Khan),**
- **Bharat Heavy Electricals Ltd (Surama Padhy),**
- **Bharat Petroleum Corporation Ltd (Tamilisai Sounderarajan),**
- **State Trading Corporation (Bharatsinh Prabhatsinh Parmar),**
- **Export Credit Guarantee Corporation Ltd (S. Malathi Rani),**
- **Andrew Yule & Company Ltd (Sipra Goon),**
- **National Handloom Development Corporation Ltd (Shikha Roy) and**
- **National Aluminium Company Ltd (K.G. Sinha).**

No doubt, the credentials of each one of these persons are prima facie unimpeachable. However, the question that begs to be asked is to what extent will they be able to add value to the management of the CPSEs?

Tit for tat

One could argue that the government in power is well within its right to nominate any person as a director of a CPSE and there is nothing wrong in nominating a person the government thinks fit to discharge that function. After all, such a practice was also followed occasionally by the previous UPA government and, therefore, there is no reason why the present NDA government should take the high road.

To test the efficacy of this argument, one must consider Section 166 of the Companies Act which defines the responsibilities of a director of any company; whether he or she is a "functional", "independent" or "non-official" director. This section expects a director to "act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment". It also expects that the director will "exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment". Crucially, the director should "not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company."

This section requires the government to nominate any person who fulfills these criteria. While it no doubt provides a great deal of discretion, such a discretion cannot evidently be arbitrary and injudicious. The discretion so provided in the Companies Act enables the government to nominate persons who have sufficient domain knowledge relevant to the operations of a given CPSE.

In its 1998 manifesto, the BJP, led by Atal Bihari Vajpayee, committed itself to managing the public sector "professionally", "with least interference by government". It was then that guidelines were issued to discourage the nomination of political party representatives to CPSE boards. Accordingly, on February 15, 2009, the department of public enterprises (DPE) advised all ministries that "non-official directors are to be drawn from the public men (sic), technocrats, management experts and consultants, and professional managers in industry and trade with a high degree of proven ability."

The guidelines on CPSEs issued by the DPE in August 2015 as well as those issued by the department of personnel and administrative reforms in February, 2017, unanimously stipulate that persons nominated as non-official directors of CPSEs should be "professionals of repute having more than 15 years of relevant domain experience in fields relevant to the company's area of operation", "persons of eminence with proven track record from industry, business or agriculture or management."

The decision taken now by the government to nominate BJP workers as non-official directors clearly makes a mockery of the BJP's own manifesto of 1998 cited above and the guidelines issued more recently by the NDA government itself.

What does a director do?

The role of a director nominated by the government to be on a CPSE board is somewhat complex. Does he or she safeguard the commercial interests of the CPSE itself or the interests of the government that nominated him or her to represent it? To strike a balance between these two objectives, which sometimes could come in conflict, is not an easy task. Lord Denning, probably the greatest English judge of modern times, famously said, “there is nothing wrong with a director being nominated by a shareholder to represent his interests, so long as the director is left free to exercise his best judgment in the interests of the company which he serves. But if he is put upon terms that he is bound to act in the affairs of the company in accordance with the directions of his patron, it is beyond doubt unlawful.”

In the instant case, the BJP worker has apparently two patrons, not one. Should he or she be answerable to the government or to the BJP, a party to which he or she belongs and apparently owes his or her nomination to that party? This introduces a third dimension of complexity that creates a greater scope for conflict of interest. Some of these nominee directors are also active spokespersons for the BJP on television. Would that role not run counter to their role as CPSE directors? Do they have sufficient domain knowledge that enables them to provide meaningful inputs to the management?

ONGC’s recent decision to acquire a stake in GSPC is a case in point. A nominee director in compliance with the obligations cast on him or her by Section 166 would have resisted the move of the government to force ONGC to agree to such an acquisition which is neither beneficial to the company nor in the overall public interest. However, the decision that ONGC should acquire a sizable stake in GSPC is one that is apparently imposed on the company by those whose primary objective was to bail out GSPC and obfuscate its shortcomings. A nominee director on the board of ONGC would have found it difficult to resist the extraneous pressure exerted by those trying to push through the deal at any cost.

It is not just the CPSEs which have been at the receiving end of such political interference. There seems to be an attempt to induct party workers into several statutory bodies. For example, it was reported that the present government had tried to appoint a BJP worker as a member of the National Human Rights Commission (NHRC) and it would have gone ahead with that move but for a PIL filed before the apex court.

If Modi is earnest about reforming the CPSEs, he should distance the government and his party from them, encourage professional management, competition and public accountability. CPSEs have a crucial role to play in nation building for decades to come and any tinkering with their management is likely to hurt the economy.

Slogans such as "Minimum Government, Maximum Governance" and "Reform, Perform and Transform" are laudable, easy to articulate but difficult to translate into tangible action. Intentions underlying such slogans are more important than the spoken words. Intentions will mean nothing, unless they get translated into genuine action. As the gap between words and deeds widens, the credibility of sloganeering will get eroded, a situation that any prudent leader should be wary about.

E.A.S. Sarma is former secretary, Ministry of Power, government of India.

Bank Staff Not Paid For Notes Ban Overtime Threaten Legal Action

Bank staff had worked till late in the night and on holidays in the weeks after Prime Minister Narendra Modi announced the ban on Rs. 1,000 and Rs. 500 currency notes on November 8 last year.

by Aloke Tikku | October 04, 2017

NDTV

NEW DELHI: Bank employees who worked long hours during demonetisation say they have not been paid the money due to them for working overtime. Now a section of their unions has threatened to sue the banks and go on strike if they don't get the cash soon.

Bank staff had worked till late in the night and on holidays in the weeks after Prime Minister Narendra Modi announced the ban on Rs. 1,000 and Rs. 500 currency notes on November 8 last year. That decision sucked out 86 per cent of currency notes in one go, leading to serpentine queues of people spilling out of banks.

Inside, officials had to work long beyond their eight-hour shifts to cater to the rush of people. "But later, they were treated very shabbily... exploited though Prime Minister Modi had gone on record to appreciate the good work put in by bank staff," said C.H Venkatachalam, general secretary, **All India Banks' Employees Association (AIBEA).**

Mr Venkatachalam said there has been a long-standing pact between bank employees and their employers that staff should be paid additional money for extra work put in.

"But there is hardly any bank that has delivered... most banks just paid a fraction of the overtime allowance due to the employees," he told NDTV.

The union leader added that the employees hadn't made up their mind on the action. A strike was one possibility, he said. Approaching the courts was another.

"We are exploring our legal options," Mr Venkatachalam - who had been a sharp critic of demonetisation that he had previously described as a poorly-implemented decision - added. Unions of bank employees say they had taken up the delay in full payment of the overtime dues with the centre's chief labour commissioner and the Indian Banks Association too.

PM Modi was widely hailed for his assault on tax evasion but long queues outside banks, a cash crunch and fears of the impact on businesses and economy had led to concerted attack from its critics.

The attacks became shriller after the central bank announced in August that 99 per cent of the banned currency notes had returned to the banking sector. The government had initially estimated about 5 lakh crores wouldn't be declared following the sudden move.

This week, former union minister Arun Shourie blamed the economic slowdown on PM Modi's shock outlawing of high-denomination notes a year ago. "**It was the largest money-laundering scheme ever, conceived and implemented entirely by the government**," he said.

CBI registers case against R.K. Dubey, former Canara Bank chairman

R K Dubey is alleged to have allowed deviations in sanctioning credit limits to a company during his tenure as executive director at Central Bank of India

PTI 4TH OCT 2017, LIVEMINT

CBI says the case has been registered under IPC Section related to Criminal Conspiracy and provisions of Prevention of Corruption Act involving criminal misconduct by a public servant. Photo: Mint

The Central Bureau of Investigation (CBI) has registered a case against former chairman-cum-managing director of Canara Bank R. K. Dubey for allegedly allowing deviations in sanctioning credit limits to a company during his tenure as executive director at Central Bank of India.

CBI officials said the complaint was received against Dubey, who retired as CMD of Canara Bank, from Central Bank of India alleging that he conspired with two directors--G .K. Dhawan and Janak Dhawan-- of a transport company J D Transport Pvt Ltd, Delhi to allow deviations in sanctioning credit facilities to the tune of Rs.13.5 crore.

The case has been registered under IPC Section related to Criminal Conspiracy and provisions of Prevention of Corruption Act involving criminal misconduct by a public servant, CBI sources said.

The officials claimed the deviations were in violation of the laid down rules and regulations. "The firm turned defaulter in repayment of the loan to the tune of Rs.6.9 crore (approx) to the bank and corresponding wrongful gain to the said company," CBI spokesperson R K Gaur said.

He said searches were conducted at the premises of accused in Delhi which led to recovery of incriminating documents. "The documents showing investment of Rs.2 crore (approx) in the name of then ED, Central Bank of India and his family members were also recovered from his residence. Further investigation is continuing," Gaur said.

CBI registers corruption case against Archana Bhargava, former CMD of UBI

NEW DELHI: PTI

THE ECONOMIC TIMES

CBI has registered a case of alleged corruption against the **then Chairmancum-Managing Director of United Bank of India (UBI) Archana Bhargava** and two companies.

During searches, CBI has recovered cash, jewellery and investment details **to the tune of over Rs 10 crore** which are allegedly in her and her family members' name, CBI Spokesperson said here today.

"It was alleged that the then public servant while posted as ED of Canara Bank in the year 2011 and as CMD of United Bank of India in the year 2013 had **abused her official position and obtained certain amounts for herself or for a New Delhi based private firm (owned by her husband and her son), from the companies to whom various credit facilities were granted by the banks, where she had worked**," the spokesperson said

She said searches conducted at the residential premises of accused persons in Delhi, Noida, Mumbai, Kolkata and Howrah led to the recovery of jewellery worth Rs 2.85 crore and Rs 10.50 lakh cash from the bank lockers in her name and her family members.

RBI to continue work towards resolution of banks' stressed assets

In the fourth bimonthly policy meet on Wednesday, the monetary policy committee (MPC), headed by RBI governor Urjit Patel stated that the Reserve Bank of India (RBI) will continue to work towards resolution of stressed assets in banks.

Moneycontrol News 4 OCT 2017

In its fourth bi-monthly monetary policy announcement on Wednesday, the monetary policy committee (MPC), headed by RBI governor Urjit Patel, stated that the Reserve Bank of India (RBI) will continue to work towards resolution of stressed assets in banks.

While the RBI kept its key lending rate — the repo rate — unchanged at 6 percent, it predicted a GVA growth of 6.7 percent for the fiscal year 2018.

The MPC said that it is keen on reinvigorating investment activity that would revive the demand for bank credit by the industry as existing capacities get utilised and the requirements of new capacity open up to be financed.

"Recapitalising public sector banks adequately will ensure that credit flows to the productive sectors are not impeded and growth impulses not restrained," said the RBI fourth bi-monthly policy statement.

The MPC stated that the structural reforms introduced in the recent period following the stressed corporate exposures in bank balance sheet should start yielding dividends for the economy over the medium term.

In addition, the MPC was of the view that these reforms will improve the business environment, enhance transparency and increase formalisation of the economy.

AIBEA THIS DAY – 5 OCTOBER	
1957	**Solidarity Strike action in Mysore, Kanpur, RBI Calcutta and some more banks in Bombay – Compensatory allowance struggle by Calcutta Bankmen.**
1975	**Emergency Durbar – Income-tax authorities raid house of Com. D P Chadha – vilification campaign – charges dropped later.**
1979	**AIBEA CC meeting at Madras.**

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