AIBEA's Banking News

20 to 23 JANUARY 2018

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

India's richest 1% corner 73% of wealth generation: Oxfam

India's poorest half of 67 crore Indians saw their wealth rise by just 1 per cent

DAVOS, JAN 22: PTI/ BUSINESSLINE

The richest 1 per cent in India cornered 73 per cent of the wealth generated in the country last year, a new survey showed today, presenting a worrying picture of rising income inequality.

Besides, 67 crore Indians comprising the population's poorest half saw their wealth rise by just 1 per cent, as per the survey released by the international rights group Oxfam hours before the start of the annual congregation of the rich and powerful from across the world in this resort town.

The situation appears even more grim globally, where 82 per cent of the wealth generated last year worldwide went to the 1 per cent, while 3.7 billion people that account for the poorest half of population saw no increase in their wealth.

'REWARD WORK, NOT WEALTH'

The annual Oxfam survey is keenly watched and is discussed in detail at the World Economic Forum Annual Meeting where rising income and gender inequality is among the key talking points for the world leaders.

Last year's survey had showed that India's richest 1 per cent held a huge 58 per cent of the country's total wealth—higher than the global figure of about 50 per cent. This year's survey also showed that the wealth of India's richest 1 per cent increased by over Rs. 20.9 lakh crore during 2017, an amount equivalent to total budget of the central government in 2017–18, Oxfam India said.

The report titled 'Reward Work, Not Wealth', Oxfam said, reveals how the global economy enables wealthy elite to accumulate vast wealth even as hundreds of millions of people struggle to survive on poverty pay.

"2017 saw an unprecedented increase in the number of billionaires, at a rate of one every two days. Billionaire wealth has risen by an average of 13 per cent a year since 2010—six times faster than the wages of ordinary workers, which have risen by a yearly average of just 2 per cent," it said.

In India, it will take 941 years for a minimum wage worker in rural India to earn what the top paid executive at a leading Indian garment firm earns in a year, the study found. In the US, it takes slightly over one working day for a CEO to earn what an ordinary worker makes in a year, it added.

Citing results of the global survey of 70,000 people surveyed in 10 countries, Oxfam said it demonstrates a groundswell of support for action on inequality and nearly two-thirds of all respondents think the gap between the rich and the poor needs to be urgently addressed.

PROMOTE INCLUSIVE GROWTH

With Prime Minister Narendra Modi attending the WEF meeting in Davos, Oxfam India urged the Indian government to ensure that the country's economy works for everyone and not just the fortunate few. It asked the government to promote inclusive growth by encouraging labour-intensive sectors that will create more jobs, investing in agriculture and effectively implementing the social protection schemes that exist.

Oxfam also sought sealing of the "leaking wealth bucket" by taking stringent measures against tax evasion and avoidance, imposing higher tax on super-rich and removing corporate tax breaks. The survey respondents in countries like the US, UK and India also favoured 60 per cent pay cut for CEOs.

The key factors driving up rewards for shareholders and corporate bosses at the expense of workers' pay and conditions, Oxfam said, include erosion of workers' rights, excessive influence of big business over government policy- making and the relentless corporate drive to minimise costs in order to maximise returns to shareholders.

'BILLIONAIRE BOOM'

The survey says that India added 17 new billionaires last year, taking the total number to 101. The Indian billionaires' wealth increased to over Rs. 20.7 lakh crore—increasing during last year by Rs. 4.89 lakh crore, an amount sufficient to finance 85 per cent of the all states' budget on health and education.

It also said India's top 10 per cent of population holds 73 per cent of the wealth and 37 per cent of India's billionaires have inherited family wealth. They control 51 per cent of the total wealth of billionaires in the country.

Oxfam India CEO Nisha Agrawal said it is alarming that the benefits of economic growth in India continue to concentrate in fewer hands. "The billionaire boom is not a sign of a thriving economy but a symptom of a failing economic system. Those working hard, growing food for the country, building infrastructure, working in factories are struggling to fund their child's education, buy medicines for family members and manage two meals a day. The growing divide undermines democracy and promotes corruption and cronyism," she said.

The survey also showed that women workers often find themselves at the bottom of the heap and nine out of 10 billionaires are men. In India, there are only four women billionaires and three of them inherited family wealth. "It would take around 17.5 days for the best paid executive at a top Indian garment company to earn what a minimum wage worker in rural India will earn in their lifetime (presuming 50 years at work)," Oxfam said.

WEF ranks India at 62nd place on Inclusive Development Index

PTI , DAVOS, JANUARY 22, 2018 THE HINDU

The index takes into account the "living standards, environmental sustainability and protection of future generations from further indebtedness," the World Economic Forum said. | Photo Credit: AP

India was on Monday ranked at the 62nd place among emerging economies on an Inclusive Development Index, much below China's 26th position and Pakistan's 47th.

Norway remains the world's most inclusive advanced economy, while Lithuania again tops the list of emerging economies, the World Economic Forum (WEF) said while releasing the yearly index in Davos before the start of its annual meeting, to be attended by several world leaders including Prime Minister Narendra Modi and U.S. President Donald Trump.

The index takes into account the “living standards, environmental sustainability and protection of future generations from further indebtedness,” the WEF said. It urged the leaders to urgently move to a new model of inclusive growth and development, saying reliance on GDP as a measure of economic achievement is fuelling short-termism and inequality.

India was ranked 60th among 79 developing economies last year, as against China’s 15th and Pakistan’s 52nd position.

The 2018 index, which measures progress of 103 economies on three individual pillars — growth and development; inclusion; and inter-generational equity — has been divided into two parts. The first part covers 29 advanced economies and the second 74 emerging economies.

The index has also classified the countries into five sub-categories in terms of the five-year trend of their overall Inclusive Development Growth score — receding, slowly receding, stable, slowly advancing and advancing.

Despite its low overall score, India is among the ten emerging economies with ‘advancing’ trend. Only two advanced economies have shown ‘advancing’ trend.

Among advanced economies, Norway is followed by Ireland, Luxembourg, Switzerland and Denmark in the top five.

Small European economies dominate the top of the index, with Australia (9) the only non-European economy in the top 10. Of the G7 economies, Germany (12) ranks the highest. It is followed by Canada (17), France (18), the UK (21), the US (23), Japan (24) and Italy (27).

The top-five most inclusive emerging economies are Lithuania, Hungary, Azerbaijan, Latvia and Poland.

Performance is mixed among BRICS economies, with the Russian Federation ranking 19th, followed by China (26), Brazil (37), India (62) and South Africa (69).

Of the three pillars that make up the index, India ranks 72nd for inclusion, 66th for growth and development and 44th for inter-generational equity.

The neighbouring countries ranked above India include Sri Lanka (40), Bangladesh (34) and Nepal (22). The countries ranked better than India also include Mali, Uganda, Rwanda, Burundi, Ghana, Ukraine, Serbia, Philippines, Indonesia, Iran, Macedonia, Mexico, Thailand and Malaysia.

Although China ranks first among emerging economies in GDP per capita growth (6.8 per cent) and labour productivity growth (6.7 per cent) since 2012, its overall score is brought down by lacklustre performance on inclusion, the WEF said.

It found that decades of prioritising economic growth over social equity has led to historically high levels of wealth and income inequality and caused governments to miss out on a virtuous circle in which growth is strengthened by being shared more widely and generated without unduly straining the environment or burdening future generations.

Excessive reliance by economists and policy-makers on Gross Domestic Product as the primary metric of national economic performance is part of the problem, the WEF said.

The GDP measures current production of goods and services rather than the extent to which it contributes to broad socio-economic progress as manifested in median household income, employment opportunity, economic security and quality of life, it added.

The WEF also said that rich and poor countries alike are struggling to protect future generations, as it cautioned political and business leaders against expecting higher growth to be a panacea for the social frustrations, including those of younger generations who have shaken the politics of many countries in recent years.

AIBEA demands withdrawal of FRDI Bill

AHMEDABAD, JAN 22: THE HINDU BusinessLine

Raising their protest against the Financial Resolution and Deposit Insurance (FRDI) Bill, 2017, bank employees' unions have launched a nationwide signature campaign to highlight the adversities in the Indian banking sector.

Expressing concerns over the safety for people's money deposited in Banks, the **All India Bank Employees' Association (AIBEA**) demanded withdrawal of the FRDI Bill, 2017, which they claim, is trying to remove the safety for the bank deposits.

AIBEA plans to collect 1 crore signatures from across India by end of March 25 and submit a mass petition to the Parliament and Lok Sabha Speaker.

"We will start the awareness campaign from Republic Day on January 26 in Gujarat and will collect 10 lakh signatures from the people of Gujarat. Our aim is to join banking consumers with us so that they also know what government is planning to do with their money," said Janak Rawal, general secretary of Mahagujarat Bank Employees Association.

"Today total deposits with the banks is around Rs. 110 lakh crore. We need to protect this precious money of the common people of the country. Today, the Central government is bringing the FRDI Bill, which is trying to remove the safety for the deposits in the banks.

Total deposits in the banks should be fully protected and guaranteed," said C.H Venkatachalam, general secretary, AIBEA seeking withdrawal of FRDI Bill.

FRDI is not required in India because the Indian banking system is different from that of in the USA and other countries. In India, we have deposit-oriented banking, whereas in other countries, it is investment-oriented banks. Hence Banking rules of USA should not be made applicable to India, he mentioned.

Pointing out gaps in the Act, he stated that because of huge savings of people in the Banks, Banking Regulations Act has provision for guarantee of deposits and no bank can be liquidated. RBI will merge the Banks if they fail.

"**AIBEA fought and achieved this amendment to BR Act in 1960. After that, no bank has been closed down. So FRDI Bill is not required. Government should remove the panic from the mind of the common people**," he said.

Raising objections to the Banking reforms, Venkatachalam further added that in the name of banking reforms, the government is trying to privatise the banks and trying to merge and consolidate banks, which poses a risk of a collapse. "We know how private banks in the West have collapsed. We can't afford such risk in India. By way of merger, a number of branches will be closed and services to the people will be reduced at a time when we need expansion of banks to reach more people," he added.

NPAs to rise to Rs. 9.5 lakh cr by March-end: Report

NEW DELHI, JAN 22: PTI/ BUSINESSLINE

The banking sector will be saddled with gross non-performing assets (GNPAs) worth a staggering Rs. 9.5 lakh crore by March-end, up from Rs. 8 lakh crore in the year-ago period, a report said today. The high level of stressed assets in the banking system, however, provide enormous opportunity for asset reconstruction companies (ARCs) which are important stakeholders in the NPA resolution process, said the Assocham-Crisil study.

At the same time, it said, the growth of ARCs is expected to come down significantly owing to capital constraints. “While growth (of ARCs) is expected to fall to around 12 per cent by June 2019, the AUM (assets under management) are expected to reach Rs. 1 lakh crore, and that is fairly sizable,” said the report. It said the GNPAs will increase to “Rs 9.5 lakh crore as on March 31, 2018 i.e. about 10.5 per cent of total advances, while stressed assets are expected to be at Rs. 11.5 lakh crore".

Separately, Minister of State for Finance Shiv Pratap Shukla had said in Parliament earlier that GNPAs of banks crossed Rs. 8.5 lakh crore at the end of September 2017. The report further said with banks expected to make higher provisioning over and above the provisions made for stressed assets, they may sell the assets at lower discounts, thus increasing the capital requirement.

Since the existing capital base of ARCs will not support in absorbing stressed assets available in the market, they are expected to be a part of the multi-platform business model with co-investors/ large funds to bring in capital and stay relevant, it said. According to the report, recovery prospects are likely to improve with these structural changes.

“The recovery rate, which is a good indicator of the effectiveness of ARCs is expected to rise from 38 per cent earlier to about 44-48 per cent,” it said. The analysis of 50 stressed assets -- forming nearly 40 per cent of the total -- revealed that sectors like metal, construction and power account for nearly 30 per cent, 25 per cent and 15 per cent of the stressed assets respectively, while other sectors contribute to the remaining 30 per cent.

The study also said that effective implementation of the Insolvency and Bankruptcy Code (IBC) would be a remedy to the challenge of prolonged litigation and it can help improve the recovery rate of stressed assets’ industry further. The report stated that 2018 would see a structural shift in the stressed assets’ space as increased stringency in banks’ provisioning norms for investments in security receipts is likely to result in more cash purchases.

Banking, financial sector hope govt will stay true to its promises

From left: KP Nair, Deputy Managing Director, IDBI Bank; Ashish Agarwal,Chief Risk Officer, Yes Bank; Rajesh Mokashi, MD & CEO, Care Ratings; Radhika Merwin, Deputy Chief of Research Bureau, BusinessLine; Rishi Gupta, MD & CEO, Fino Payments Bank; and Naveen Surya, Chairman, Payments Council of India, at BusinessLine Count Down to Union Budget 2018 in Mumbai on Friday - Photo: Shashi Ashiwal

Though reforms have been undertaken, the Budget should start focussing on their implementation, feel experts

MUMBAI, JANUARY 19:

Indian banking and financial services sector, along with new-age financial technology companies, are expecting the government to take some pro-active measures to implement and execute some of the reforms that were announced last fiscal.

During a panel discussion, Countdown to Union Budget 2018, organised by The Hindu BusinessLine, at the National Stock Exchange here on Friday, experts unanimously echoed this sentiment and stressed that enough reforms have been undertaken and the upcoming Budget should start focusing on implementation and also resolve issues involving the bankruptcy laws, insolvency, digital payments, lending or for that matter bringing in some clarity around digital currencies.

Incentives

The government, in the last 12-14 months, has brought several initiatives in the banking sector, including the demonetisation exercise followed by GST and Insolvency and Bankruptcy Code (IBC).

On the panel were Rajesh Mokashi, MD and CEO, Care Ratings; IDBI Bank Deputy Managing Director, KP Nair; Ashish Agarwal, Chief Risk Officer of Yes Bank; Fino Payments Bank CEO Rishi Gupta; Payment Council of India Chairman Naveen Surya; and Suryoday Small Finance Bank MD & CEO, Baskar Babu R.

On IBC, Mokashi said he expects the government to make some changes to the bankruptcy law and fix some pressing issues to make it even more effective.

"Domestic acquisition financing by banks, specifically for cases under IBC, should be allowed and incentivised, given that the alternate foreign source of capital is far more expensive, and therefore, potentially could result in higher haircuts for lenders," added Ashish Agarwal of Yes Bank.

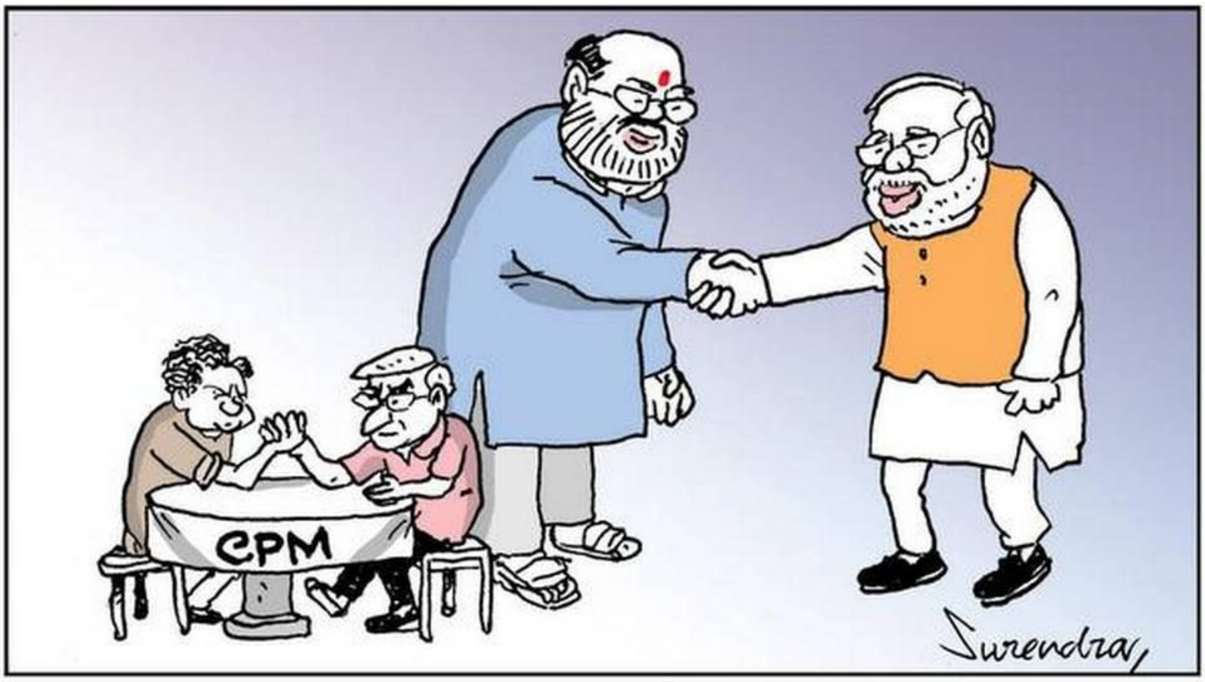
IDBI Bank's Nair said despite facing the bad loans issue, banks are ready to lend if promoters put forth bankable proposals.

On expectations from the Modi government's penultimate Budget session, Rishi Gupta of Fino Payments Bank said the government should give more push to improve the digital banking infrastructure and incentivise banks to push micro atms and recyclers instead of investing in ATMs.

He also added that the "government should ensure that physical cash replaces digital cash by improving access to infrastructure and that cannot be done through cashbacks".

Naveen Surya of Payment Council also stressed on the fact that the government should bring in some discipline and let the customers decide their way of making transactions and also spoke about the need to recognise cryptocurrencies.

Baskar Babu said: "What is more important today is the need to develop the whole ecosystem and not intervention. The Indian banking and financial services sector along with the new age financial technology companies are expecting the government to take some pro-active measures to implement and execute some of the reforms that were announced last fiscal.



THE HINDU 23 1 2018

AIBEA THIS DAY – 23 JANUARY	
1992	**Central Committee of AIBEA meets at Ernakulam; 6th Bipartite Demands formulation.**

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