AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Strengthen cooperative banks: Minister

By Hindu| Sunday | 28th January, 2018

Sunil Kumar has called for strengthening cooperative banks to support farmers and the common man who constitute a majority in the country. Sunil Kumar inaugurating the All India Cooperative Bank Employees Federation's seventh national conference in the captial on Saturday. He was inaugurating the seventh national conference of the All India Cooperative Bank Employees Federation affiliated to the AIBEA here on Saturday. C.H. AIBEA national president Rajan Nagar inaugurated the delegates session.

Agriculture Minister V.S. Sunil Kumar has called for strengthening cooperative banks to support farmers and the common man who constitute a majority in the country.

He was inaugurating the seventh national conference of the All India Cooperative Bank Employees Federation affiliated to the AIBEA here on Saturday. Federation president C.H. Madhava Rao presided. K.S.Sabarinathan, MLA, delivered the keynote address. AIBEA national president Rajan Nagar (RPT NAGAR) inaugurated the delegates session.

He explained the need for a strong workers' movement against the anti-national and anti-labour policies of the Centre. Federation deputy general secretary Tapan Kumar Bose presented the report. Treasurer Veerappan presented the statement of accounts.

Infuse capital in Cooperative Banks: AICBEF

Thiruvananthapuram | Sunday, Jan 28 2018

The All India Cooperative Bank Federation (AICBEF) has demanded the State and the Centre Governments to infuse adequate capital in Cooperative Banks for rejuvenation of rural and agricultural sector. In a resolution adopted at the 7th national conference of the union, the AICBEF urged to bring Primary Agricultural Credit Societies and Primary Agricultural and Rural Development Banks under Banking Regulation Act, to exempt Cooperative Banks from Income Tax.

Inaugurating a seminar on the topic, "Role of Cooperative Banks in Rural and Agricultural Economy; challenges and prospects", **Kerala State Minister for Cooperation Kadakampally Surendran** said that the proposed Kerala Cooperative Bank, through delayering and bringing together of State and District Cooperative Banks will create a systemically sound bank, technology-driven modern banking products and services within the system at cheaper rates, retaining the profits also within the system and help in unlocking funds for productive purposes. The need of the hour was to rebuild the image of the Cooperative Banks to make it strong, vibrant, professionally-managed with proper governance, systems and business plan for effective intervention in agricultural and rural development activities, he added.

Former Deputy Governor of the Reserve Bank of India, R Gandhi, delivered the keynote Address. C P John, former Member of State Planning Board, C.H Venkatachalam, General Secretary, AIBEA, K S Krishna, Joint Secretary of AIBEA spoke on the occasion.

FRDI Bill's bail-in clause unlikely to be watered down

The Centre is not considering any dilution of the bail-in clause in the contentious Financial Resolution and Deposit Insurance (FRDI) Bill. It will, however, add safeguards such as a list of liabilities that the Resolution Corporation (RC) will consider in case of a crisis in a financial firm, the finance ministry's department of economic affairs has told a House panel, according to documents accessed by Hindustan Times.

This bail-in clause has triggered opposition to the Bill. In August 2017, the bill was referred to a joint panel comprised of members from both the Lok Sabha and the Rajya Sabha. Amid widespread criticism, the panel got an extension till the end of the Budget session to submit its report.

The House panel wants to ensure that in case a financial firm is being revived with the bail-in clause, the RC does not have the powers to "cherry-pick" liabilities, further raising concerns over the common man's bank deposits -- hence, the insistence by members of the panel on a formal list of liability classes from the government.

The department of economic affairs has agreed to list the liability classes but that will be done when regulations are formed after the Bill is passed by Parliament and becomes a law.

Why the Bill stirred a hornets' nest

☐ Concerns about bail-in clause in the Bill caused controversy
☐ Bail-in clause allows use of internal resources for revival of sick financial firms

☐ But what these internal resources are has not been specified
☐ Fear is that fixed deposits of small investors could also be considered internal resources

☐ The House panel wants the government to list out these liabilities for better clarity

☐ The government is not likely to make such a list till the Bill has been passed

The Bill is proposed as an early warning system for financial firms, under which the RC will classify firms based on their financial health and risk assessment. If the risk of failure of a financial firm increases, the RC will have enough powers to prevent it.

But controversy has dogged the Bill over provisions that state that if a financial firm indeed fails, the bail-in option will kick in. Under this option, internal resources of the firm, including deposits, will be used to revive the company.

At a meeting of the panel on January 22 after it got an extension, the department of economic affairs gave a clause-by-clause explanation of the rationale and intent of the Bill, making it clear that the bail-in clause is here to stay.

The sections under Clause 52 of the FRDI Bill make it mandatory for financial firms to hold liabilities such as deposits, preferential shares, and bonds that can used if the bail-in clause is invoked. However, bank deposits are safe until and unless the RC specifies that they are a liability.

Experts said that even if the government draws up a list of liabilities of financial firms, bank deposits are likely to be ranked much below other classes of liabilities such as bonds, preferential shares etc.

"Apart from the extreme case of the bank crisis in Cyprus, bank deposits are the holy grail and seldom included for a bail-in," said Kuntal Sur, partner and head of financial services risk at PwC India.

"We will know whether bank deposits will be touched only when we have the first case before the RC in India," he added.

Labour ministry bats for contract jobs in push for employment generation

The labour ministry has suggested it is in favour of fixed-term employment, which allows firms greater flexibility in their hiring and signals a shift in emphasis to job creation over job security

Jan 26 2018. Prashant K. Nanda LIVE MINT

New Delhi: The Union government has signalled a mindset reset in its approach to generating employment, proposing to amend rules to encourage fixed-tenure, or contract jobs.

Not only will the move vest companies with greater flexibility in their hiring (a longstanding demand), it also signals a shift in emphasis to job creation over job security.

The problem of jobless growth is emerging as a political challenge and the government is keen to step up job creation in the Indian economy.

The draft proposal has been put up for comments and suggestions on the website of the labour ministry with a deadline of 9 February. It states that the government is for extending fixed-term labour contract rules beyond the textiles and apparel sector, where it was introduced in 2016.

“In the Industrial Employment (Standing Orders) Act, 1946... for the words “fixed-term employment workmen in apparel manufacturing sector”, the words “fixed-term employment” shall be substituted,” says the draft.

The proposal, to be called the “Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018”, says subject to the Industrial Disputes Act, “no notice of termination of employment shall be necessary in the case of temporary and badli workmen; and no workman employed on fixed-term employment basis as a result of non-renewal of contract or employment or on its expiry, shall be entitled to any notice or pay in lieu thereof, if his services are terminated”. Mint has reviewed a copy of the draft.

The Economic Times first reported about the fixed-term employment proposal on Thursday.

The move, once implemented, is expected to allow for “free labour movement” and promote a hire-and-fire policy, overriding the existing retrenchment requirements.

“Contract labour will not create decent jobs but may add to the job count. In an election year, it may be a good talking point for the government,” said K.R. Shyam Sundar, a labour economist and professor at XLRI Jamshedpur.

“The government, of late, is showing indications that contract work is not bad and that seems to be a change in mindset. But a footloose working community may not help the improve living conditions of workers,” he added.

The proposed plan is expected to be rolled out via an executive order. While the industry will find the measure to be a key reform in labour laws and aid ease of doing business, it could invite opposition from political parties and workers’ unions.

The draft rules, however, assure that pay parity and statutory benefits will be applicable to fixed-term contract workers. It also says any fixed-term worker who has served for three consecutive months will be given 15 days' notice and those who have not will be informed of the reason for their retrenchment in writing.

In India, while the overall unemployment rate is around 3.5%, the bigger worry is that the unemployment rate in the 15-24 age group—or those believed to be first-time workers—is much higher; it jumped from 10% in 2014 to 10.7% in 2019, according to an International Labour Organization report released on Tuesday.

Raghuram Rajan punctured PM Modi's India pitch in Davos

New Delhi: Former RBI Governor Raghuram Rajan expressed his disagreement with the statement given by Prime Minister Modi in Davos. PM said,"In India, 'Democracy, Demography and Dynamism' together are shaping the country's destiny and leading it towards the path of Development." He also said, "Our Mantra is 'Reform, Perform And Transform."

According to a news published in Economic Times, Rajan doubted if the way the Modi government was functioning was really democratic. He alleged that only a small group of people were making all the decisions while bureaucrats were sidelined.

Earlier in Davos, Rajan blamed that a substantial part of the growth slowdown in India was because of the after-effects of the demonetisation decision of November 2016.

"I think the jury is still out. We have an argument that it will improve compliance till we see the last tax numbers in, I feel the jury is still out. That said, I would suspect that a substantial part of the growth slowdown was because of the effects (of demonetisation).some of it was in the informal economy, which weren't immediately captured, which we are seeing now. Businesses that have shut down, because they couldn't survive that episode," Rajan told NDTV in Davos.

He said to understand the positive impact of demonetisation "we have to wait and see".

"I think it did give some fillip to the digital payments system. But that's relatively smaller.compared to the other (aspects)."

Asked whether he would have taken up demonetisation during his tenure, Rajan said: "This is an easy sort of answer to give in hindsight. I think the government at that time asked us our views.. we gave them. But at the same time, I think its very hard.

I didn't think it would have the desired effect. And that it would have cost."

He added: "Yes, any monetary economist would say that, better print the money before taking it away. But, that said I think the real sort of question is, should the RBI be a fifth column if the government wants to go ahead on something. In my guess, both legally and ethically you can't stop the institution. You may refuse to along with it, but you cannot stop the institution.

Regarding the goods and services tax regime, he said: "Now I think in the long term GST will have a very positive effect. There are people who say we should have prepared better, we should have delayed it. My sense is many of the problems just come from doing it. So, if we solve those problems and go forward that will be very beneficial."

Recapitalisation of Banks: Placebo For the NPA Disease?

The real problem is not the lack of capital, but that the Indian mega corporates had a decade-long party with public savings and now they are refusing to pay back.

In a press conference held on Wednesday, Finance Minister Arun Jaitley presented before the media another piece of empty economic policy that has become a hallmark of the Modi-led BJP government.

At the press conference, Mr. Jaitley gave out the finer details of the bank recapitalisation plan that he announced with much fanfare in October last year. According to the recapitalisation plan, the public sector banks were to get an infusion of capital worth Rs. 2.11 lakh crores over the next two years. Out of this, a substantial chunk – Rs. 1.35 lakh crore – was to come in the form of recapitalisation bonds and the rest from the government's budget as well as from the market.

Now Mr. Jaitley says that the banks will get Rs. 88,139 as the first tranche of capital in the 2017-18 fiscal year. Out of this, Rs. 80,000 crore will be in the form of recapitalisation bonds. So far, so good. If we set aside the discussion on whether recapitalisation is really the solution for the banking sector's problems, there does not seem to be much of a problem with Mr. Jaitley's plan. But alas, the devil is in the details.

According to Mr. Jaitley's grand plan, the buyers of the bank recapitalisation bonds are the banks themselves. The banks will invest part of the funds deposited with them to buy the government's recapitalisation bonds. The government will invest the sale proceeds as capital into the public sector banks. If this sounds convoluted, that is because it is convoluted.

By Mr. Jaitley's own claim, the main motive of bank recapitalisation was to boost the credit disbursal of the public sector banks to the economy, particularly to the MSME (Micro, Small and Medium

Enterprises) sector and agriculture. The banking sector, burdened with bad loans or NPAs – as they are 'lovingly' called – which amounted to more than Rs. 8.5 lakh crores, has been tight-fisted with its credit disbursal.

Given the capital adequacy framework that banks were forced to follow by the RBI, they could either get more capital to compensate for the risk of the non-performing assets, or they could shrink their business. In the absence of the former, the banks have been doing the latter. They have been cutting down on credit disbursal. The lack of adequate credit, in turn, has been dragging the economy down.

The way things are at the moment, the NPAs are expected grow even more in the coming years, increasing the need of capital even more. Even at the present level of NPAs, Rs. 2.1 lakh crore is considered inadequate for bank recapitalisation.

Instead of going on this convoluted path of government taking banks' own money to capitalise them, it would have made more sense if the government simply directed the RBI to go easy on the capital adequacy norms, so that public sector banks could expand their lending to the economy.

After all, these norms are meaningless for the public sector banks. Capital adequacy is meant to reassure the public that a bank is not in danger of collapse. Despite the NPAs and the declining capital adequacy, the Indian public never showed any signs of panic or fear for their deposits in these banks. It is not that the Indian public are ignorant and blind. After all, they did panic and protest when the government tried to introduce the ill-thought out FRDI bill with its bail-in clause and cavalier attitude to depositors' money, forcing the government to step back. It is because these are government-owned banks with an implicit sovereign guarantee that the public do not dear for their deposits. As long as this implicit guarantee is there, the banks can run on near-zero capital.

What the soap-opera around banking recapitalisation and the FRDI bill directed by Mr. Jaitley hides is the real problem – that the Indian mega corporates had a decade-long party with public savings and now they are refusing to pay back. These defaulting mega corporates and banks loans are the real disease that afflict the banking sector – not the lack of capital. As long as these powerful defaulters are not brought to book, the problem of NPAs will recur, over and over again. No amount of capital infusion is going to cure this. The banks by themselves are helpless. It is the government that frames the laws and it alone has the capacity to change the limited liability clauses that give such impunity to corporate defaulters.

It would have reflected better on Mr. Jaitley if he had begun the new year with an announcement of such a step to prosecute the promoters of these corporates that have defrauded the banking sector. Instead, he has begun 2018 with yet another vacuous announcement.

Big loan default: Claims worth Rs 3.13 lakh crore under insolvency proceedings

Claims worth Rs 3.13 lakh crore, related to 11 defaulting companies notified by the Reserve Bank, are under insolvency proceedings, the pre-budget Economic Survey said today.

PTI | January 29, 2018

Claims worth Rs 3.13 lakh crore, related to 11 defaulting companies notified by the Reserve Bank, are under insolvency proceedings, the pre-budget Economic Survey said today. The Economic Survey 2017-18, tabled by Finance Minister Arun Jaitleyin Parliament, further said that of the 11 companies under the Corporate Insolvency Resolution Process (CIRP), most are either seeking the extension or have already been granted additional time.

In June last year, the Reserve Bank had identified 12 accounts, each having more than Rs 5,000 crore of outstanding loans accounting for 25 per cent of total NPAs or bad loans of banks, for immediate referral for resolution under the bankruptcy law. Of these, Era Infra Engineering has not yet been admitted to the CIRP.

As per the Survey, claims admitted under the insolvency proceedings in the case of Bhushan Steel, Essar Steel, and Lanco Infratech stand at Rs 55,989 crore, Rs 50,778 crore and Rs 51,505 crore respectively. Proceedings under the Insolvency and Bankruptcy Code are initiated after receiving the approval from the National Company Law Tribunal (NCLT).

Insolvency proceedings have to be completed within 180 days, but can be extended by another 90 days by the Committee of Creditors (CoC). In the CIRP the CoC invites resolution plans from the applicants, and may select one of these plans. The Survey said extension of 90-days has been sought in the case of Alok Industries, Amtek Auto, Essar Steel, and Monnet Ispat and Energy, among others.

The time period has been extended in the case of Bhushan Power and Steel, Electrosteel Steels and Jyoti Structure. The CoC has also approved extension of 90 days in case of AGG Shipyard.

AIBEA THIS DAY – 29 JANUARY	
1958	**9th Conference of AIBEA at Varanasi. Com. A C Kakkar and Prabhatkar elected as President and General Secretary. Sri Raghunath Singh M.P. inaugurates.**
1968	**AIBEA General Council Meeting at Bangalore. Com. Mohan Majumdar, General Secretary, SBI Staff Federation attends. Com. Prabhatkar gives call for strike, strike and strike again against 36 AD Anti labour provisions.**
1994	**Submission of Joint Memorandum to Finance Minister on Branch Closures, attacks, recruitment and other demands by AIBEA, AIBOA, BEFI and Central Trade Unions.**

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