AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Bank, insurance unions threaten strike during Parliament s winter session

Bank, insurance unions threaten strike during Parliament s winter session Chennai July 14 (IANS) The Co-ordination Committee of Bank Insurance and Finance Sector Unions (CCBIFU) on Saturday said a would be called during the winter session of the Parliament if the government does not revise its policies on banking and insurance sectors.

"If the government does not revise its policies on banking and insurance sector and would continue with their existing policies the CCBIFU will decide to go on a strike during the winter session of the Parliament in December 2018 " Committee

Chairman C.H. Venkatachalam said in a statement.

The Committee was formed to protest against what are termed as attacks on the banking and insurance sectors like foreign direct investment (FDI) disinvestment and other sectoral reforms.

The All India Bank Employees Association (AIBEA) All India Bank Officers Association (AIBOA) General Insurance Employees All India Association (GIEAIA) and All India LIC Employees Federation (AILICEF) constitute the commitee.

While Venkatachalam the General Secretary of AIBEA is the Committee s Chairman K. Govindan General Secretary of the GIEAIA is the Convener.

According to Venkatachalam banks represent hard earned savings of the common people.

"Today it is more than Rs 115 lakh crore. If banks are privatised the people s money will be in the hands of the capitalists. The only problem in the banks is the huge bad loans due from the corporate borrowers " he said.

"Instead of taking action to recover the bad loans banks are sought to be handed over to them. In LIC also there are huge bad investments which are non-performing. There must be a thorough parliamentary probe into all these investments " he added.

LIC board to meet tomorrow to finalise IDBI Bank stake buy

BY PTI | JUL 15, 2018, **ECONOMIC TIMES**

The board of insurance behemoth LIC is scheduled to meet tomorrow to finalise the acquisition of 51 per cent stake in IDBI Bank, sources said.

The due diligence process by LIC is complete as per the directions of Insurance Regulatory and Development Authority of India (Irdai), they said.

State-owned Life Insurance Corporation will approach markets regulator Sebi after getting approval from its board, which will meet in Mumbai.

Irdai has already given its approval to LIC for the stake purchase, a move which will help the debt-ridden state-owned bank get a capital support of Rs 10,000- 13,000 crore.

"The LIC-IDBI Bank deal will trigger an open offer to protect the interest of minority shareholders in the bank," said a source.

As per Sebi takeover code, an acquirer has to give an open offer to the shareholders of target company on acquiring shares or voting rights of 25 per cent or more.

IRDAI at its meeting held in Hyderabad last month, had permitted LIC to increase its stake from 10.82 per cent to 51 per cent in IDBI Bank. As per current regulations, an insurance company cannot own more than 15 per cent in any listed financial firms.

LIC has been looking to enter the banking space by acquiring a majority stake in IDBI Bank as the deal is expected to provide business synergies despite the lender's stressed balance sheet.

It will get about 2,000 branches through which it can sell its products, while the bank would get massive funds of LIC. The bank would also get accounts of about 22 crore policy holders and subsequent flow of fund.

If the deal goes through, IDBI Bank, which is grappling with mounting toxic loans with gross non-performing assets rising to a staggering Rs 55,600 crore at the end of the March quarter, will get much needed capital support to revive its fortune.

During the January-March quarter of last fiscal, the lender's net loss stood at Rs 5,663 crore.

The government would not get the proceeds from the stake reduction as the money would be utilised for the bank's revival.

It could happen through issuance of fresh equity so that the government's stake which is presently at 80.96 per cent comes down to below 50 per cent as announced in the Budget.

Do not disregard plight of PSU bank employees and pensioners

Ujjwal K. Chowdhury,
SUNDAY GUARDIAN 14-7-2018

Come 19 July, Indian banking industry will have a historical landmark. Bank nationalisation by Prime Minister Indira Gandhi will hit half a century. And as this measure emanating out of Indira Gandhi's "Garibi Hatao" slogan matures at 50, all is not well with the banking industry. While a substantial section of government banking and finance machinery is inclined towards privatisation of banks, and merger of multiple banks into one, the employees are on the streets often for ameliorating their terms of employment, the most recent one being the 30-31 March two-day-long national strike for respectable wage revision (they have been offered 2% increment valid for the next five years).

The one million strong employees of all government banks, through their nine trade unions have decided to "celebrate" this day to protest against the growing signs and plans of privatisation of banks and for a higher wage revision and five-days-a-week work-schedule.

WAGE REVISION MOVEMENT

On 12 June, the United Forum of Bank Unions (UFBU), representing these one million bank employees met at Chennai to decide their next course of action after the national strike on 30-31 May, and this time the Forum intends to carry out a phase of public sensitisation on the issues at hand and also keep putting pressure on the Indian Bank Association (IBA) and Department of Financial Services (DFS), Government of India, apart from various political parties. The initial response of the IBA and DFS has been cold.

On 30-31 May, the nine trade unions of government bank employees, four being of officers and five of others, went on a two-day strike after rejecting the IBA proposal for a 2% wage-hike. The salary-structure of bank employees is fixed through a bipartite settlement, unlike Central and State government employees. After every five years, the salary is hiked to protect the employees against inflation. The last settlement for the period of 2012-17 was of 15%, which did not match the then Sixth Pay Commission. But this time, with the increment for the period of 2017-2022, which came only a few weeks ago, seven months delayed, the employees expected a parity with the new Seventh Pay Commission of the Central government. But they were offered a 2% hike, on the plea of the low profitability of banks.

Twenty-one public sector banks have around 85,000 branches in the country, with a business share of about 70%. Industry chamber Assocham said that the bank strike in May affected customer transactions worth up to Rs 20,000 crore. It also urged the government to come up with a stimulus plan for restoring the health of PSU banks. State-owned lenders are grappling with high levels of bad loans and as per reports their losses for the quarter ended March 2018 are set to hit a record Rs 50,000 crore, which is more than double the losses of Rs 19,000 crore in the preceding quarter ended December 2017.

The Chief Labour Commissioner (CLC) supported the issues and asked the IBA to respond positively. The CLC said that officers and employees had to be paid for their hard work and not on the basis of profit. The IBA representative said they would consider the revised offer, but requested the UFBU to quantify the demand. UFBU leaders quoted figures to prove how operating profits had doubled, staff expenses had reduced and business more than doubled.

RATIONALE

The 2% wage hike will cost the banks an approximately Rs 500 crore, while the proposal given by the unions will cost around Rs 12,000 crore—which is surely open to negotiation. The IBA and the Central government are linking the issue with profitability, but there has not been any hesitation to write off Rs 2.41 lakh crore in the last three years, and gross NPA (Non Performing Assets) stands at Rs 6.41 lakh crore today, according to RBI figures, which was around Rs 3 lakh crore in 2014. For the last four years, banks have been earning operating gross annual profits ranging from Rs 1.3 lakh crore to Rs 1.6 lakh crore, but the net profit is being wiped out due to the bad loans, given not at the whims of employees and the faulty provisioning norms, but through political decisions.

As per RBI data of 31 March 2018, NPAs of government banks amount to Rs 6.41 lakh crore, of which corporate industry NPA is around Rs 4.7 lakh crore (73%), agriculture sector NPA is Rs 57,000 crore (9%), services sector is Rs 85,000 crore (13%), and retail sector is around Rs 24,000 crore (4%). It is important to note that the corporate industry loans were sanctioned by government appointed board level executives to corporate bodies such as Bhushan Steel, Lanco Infra, Essar Steel, Amtek, Monnet Ispat, Reliance, Adani groups, and to people like Nirav Modi, Vijay Mallya, et al. Agricultural NPA is mostly due to farm loan waiver policies by elected governments just before or after elections, and so such borrowers misuse loans as they have a sense of political entitlement. Services NPA is mostly like MUDRA loans, where the current Central government bars banks to take collateral, and hence banks cannot recover and the borrowers happily default. Retail NPA, accounting for around 4% of all NPAs, is the only NPA where a common branch level banker makes a sanction in the form of housing, car, personal loan et al. Hence, the one million banking employees find cheated today to be punished for the crime done by political decisions.

Further, the bank employees are the architects for fulfilment of all government aspirations through successful implementation of Atal Pension Yojana, Pradhan Mantri Awaas Yojana, Aadhaar-bank account linking, Mudra loan, Stand Up and Start Up projects' funding, Jan Dhan accounts and the herculean work following the ill-advised demonetisation, during which some 19 bank employees died on duty.

There indeed should be parity, co-relation, uniformity and relativity of their salary with others in insurance and other sectors of the government.

Further, the dissenting employees' charter of demands has asked for a five-day working week and more facilities for women employees.

In an economy which clocks around 6% to 8% annual inflation, there is no justification of a 2% salary increment for all bankers as a constant for half a decade.

BANK PENSIONERS' PLIGHT

There is also the issue of 5 lakh plus bank pensioners who are reeling under financial distress due to non-revision of their pensions ever since it was introduced way back on 1 January 1986. The Bank Pension Scheme at the same rate, was formulated on the basis of the Central Government Pension Rules in 1993. As facts stand, Central Pension Rules underwent changes as per the Central Pay Commission Recommendations of 1996, 2006 and 2016. Bank employees' wages and service conditions (barring pension) too were revised in 1987, 2002, 2007, 2012 and it has further become due, talks for which are going on. Bank pensioners were ignored by the UPA government and the same continues till date under the NDA government.

Interestingly, bank pension payments do not have any bearing on banks' expenses. Pension is paid out of income generated from pension funds, created and contributed to by bank employees and officers, while working. These funds are managed by banks through trusts. The pension fund is invested in tax free bonds and government securities. The pension fund of the banks are generating a huge income and leaving huge surpluses after paying the pension. So, the pension fund itself is robust, but the bank management is just sitting on pension fund and is in a denial mode.

Rich farmers will gain the most from MSP hikes

Is benefiting the rural rich at the expense of the masses really good politics?

It is very likely that only lip service will be paid to the MSP hikes and it will be business as usual

Jul 10 2018 | Manas Chakravarty

The common narrative about the government's hike in minimum support prices (MSPs) for farm produce is that farmers will benefit. But the question is: which farmers? We have small farmers, marginal farmers, peasants and kulaks and landlords. Farmers in Punjab and Haryana are different from their brethren in Bihar and West Bengal or the north-east. There are farmers who plant paddy, those who cultivate coarse grains and those who cultivate cotton or sugarcane. Which farmers gain the most?

A National Sample Survey Office (NSSO) report that mapped the income, expenditure and indebtedness of agricultural households in India in 2013 provides some clues. For households owning farms of less than 0.4 hectares, who are a third of all agricultural households, net receipts from cultivation account for less than a sixth of income. They will certainly not benefit from higher MSPs.

For those holding between 0.4 and 1 hectare, net receipts from cultivation are around two-fifths of their earnings. This class constitutes another third of all farming households. They too won't gain much.

Taken together, farmers owning up to 1 hectare of land constitute 69.4% of total agricultural households. The report finds their monthly consumption expenditure is higher than their earnings from all sources, which means they are chronically in debt. Many rely on moneylenders, rich farmers and landlords to advance them the money needed for cultivation and they are often forced to sell their produce to these financiers at lower than market prices. In short, almost 70% of farming households are unlikely to be beneficiaries of the MSP hike.

On the other hand, those having more than 4 hectares of land, a mere 4.1% of the farming population, get more than three quarters of their net income from cultivation. It is the rural rich, rural India's ruling class, who pay no income taxes, who gain the maximum benefit from farm loan waivers, who will reap the bonanza from higher MSPs.

The revelations of the Shanta Kumar Committee report underscored that fact. It found that a mere 5.8% of agricultural households in India had sold paddy or wheat to any procurement agency. Even these households sold only a part of their total sales, ranging from 14-35% for different crops, at MSP. Said the report, "The upshot of this entire evidence is that the direct benefits of procurement operations in wheat and rice, with which FCI (Food Corporation of India) is primarily entrusted, goes to a minuscule of agricultural households in the country. Obviously then, much of the procurement that government agencies undertake comes from larger farmers, and in a few selected states (Punjab, Haryana, Andhra Pradesh and lately from Madhya Pradesh and Chhattisgarh)."

Who are the losers from the government's move? Economists' estimates of the impact on inflation as a result of higher MSPs vary, but all agree that inflation will go up significantly, particularly if the government steps up its procurement. An IMF working paper by Sajjid Chinoy, Pankaj Kumar and Prachi Mishra titled What is responsible for India's sharp disinflation? said the disinflation in 2014-16 owed much to the government's rationalization of MSPs. If that is correct, conversely, the sharp rise in MSPs now will fuel inflation.

Who loses the most from high inflation? The urban poor will be badly affected, of course, but also agricultural labourers, the most vulnerable class. Agricultural labourers now outnumber cultivators. Further, the marginal farmers may also not produce enough food for their requirements and have to buy from the market. Is benefiting the rural rich at the expense of the masses really good politics? And that's not even counting the price the economy will have to pay due to higher interest rates, uncompetitive agricultural prices, a bloated fiscal deficit and skewed incentives. That is why it is very likely that only lip service will be paid to the MSP hikes and it will be business as usual.

If the objective is alleviation of rural distress, the Telangana government's programme of income transfers looks far more promising. But in the long run, there is no alternative to creating enough jobs outside agriculture to absorb the disguised unemployment in farming.

Higher MSPs do not truly benefit farmers

The lack of state infrastructure as well as fiscal constraints mean that farmers remain mute spectators to the political games played in their name

Fixing the minimum support price (MSP) to deliver remunerative prices to farmers has been at the forefront of the debate on the India farm crisis

Jul 09 2018 | Siraj Hussain

live mint

In the last two years, fixing the minimum support price (MSP) to deliver remunerative prices to farmers has been at the forefront of the debate on the farm crisis. There have been numerous reports about the crash in market prices in this period, particularly after demonetization in November 2016. The Union finance minister finally announced in the budget speech for 2018-19 that the government will fix MSP at 50% over the cost. On 4 July, the government fulfilled its promise.

It has become clear now that it has not considered imputed rental value of land and interest on own capital invested by the farmer in calculating farmer cost (C2). The MSPs announced for *kharif* 2018 provide a return of 50% over paid out cost of inputs, interest on borrowed capital and family labour (A2+FL). Moreover, while declaring the MSP, the government has not considered other relevant factors, such as domestic demand, global prices, export competitiveness and ecological sustainability of crops such as paddy. The relevance of an expert body like the Commission for Agricultural Costs and Prices (CACP) is also in question as the MSPs have been fixed through a static formula. In the long run, it is not a desirable policy option.

When the Modi government was formed in 2014, the country was reeling under high food inflation. In the first four years of its term, MSPs saw only moderate increases, except in the case of pulses whose MSPs were raised substantially to boost production. A lower hike in MSP was also seen as a tool of fiscal consolidation.

Announcements of higher MSPs in the past have not always resulted in increases in farmer incomes as procurement was restricted to wheat, paddy and cotton—and that too only in a few states. Sugar was the only other commodity that was assured of purchase at the fair and remunerative price declared by the government, as sugar mills are mandated by law to pay that price. In the entire north-east and many eastern states such as Bihar, Jharkhand and West Bengal, the procurement infrastructure is very weak. In these states, as of now, farmers have no hope of receiving higher MSP for *kharif* crops.

It is not that past governments have not tried to provide MSP to farmers. There are at least five Central government schemes, discussed below, to provide MSP support to farmers. But they have met with only limited success.

First, procurement of wheat and paddy for meeting the requirement of the public distribution system (PDS) is undertaken largely by state governments. Of the total procurement of wheat and paddy from farmers, the Food Corporation of India's (FCI's) share is less than 10%. In the north-east and many other states, procurement operations are almost non-existent and farmers are forced to sell below MSP.

The second scheme is the price support scheme (PSS) under which Central agencies like Nafed can procure notified commodities for which MSPs are declared, including oilseed, pulses and copra. The government has provided a guarantee of Rs.29,000 crore to Nafed for procurement. The losses incurred are reimbursed by the Union ministry of agriculture. However, it took Nafed more than five years to get payment of about

Rs.1,000 crore spent in the procurement of copra, groundnut, cotton and pulses.

The third scheme is through the price stabilization fund (PSF), operated by the department of consumer affairs (Doca) under which interest-free working capital is provided to the procuring agency. Under this scheme, Nafed, FCI and the Small Farmers' Agribusiness Consortium have procured about 20 lakh tonnes of pulses for buffer stock. The entire losses incurred under the scheme will be borne by Doca.

The fourth scheme is for procurement of *kapas* at MSP, which is largely operated by the Cotton Corporation of India (CCI), whose losses are fully reimbursed by the Union ministry of textiles. In Maharashtra, the state government has been procuring cotton under a monopoly cotton procurement scheme. The losses in this case are borne by the state government.

The fifth scheme is for perishable commodities. This is called market intervention scheme (MIS) under which specific proposals of state governments are considered by the department of agriculture on a case-to-case basis and the Centre bears up to 50% loss incurred in operations. But the proposals can be approved only if there is 10% increase in production or 10% fall in rates over a normal year in a state. The reimbursement of losses is limited to 25% of value of procurement, including overheads. Several states have sporadically used the scheme—but due to its restrictive provisions, most have not been very keen.

As the experiences of these schemes show, the benefit of higher MSPs for*kharif* crops is unlikely to be available to most farmers as the states lack adequate storage capacity, working capital and manpower for undertaking large-scale procurement of all commodities. When *kharif* crops are harvested in October-November, market prices are likely to be below MSP for most of them. Since the MSP of *kapas* and paddy will make cotton and rice costlier than international prices, we can expect large-scale procurement of *kapas* and rice. *Jowar* and *bajra* farmers are unlikely to realize any benefit as there is little demand for them in the open market and procurement by states is doubtful. Even in the case of maize, farmers may have to sell below MSP as procurement has been discontinued after 2013-14 and market prices have been lower almost every year.

Large-scale procurement is also not desirable as huge losses will be incurred. As NITI Aayog has been given the mandate of suggesting alternatives, we may see the launch of a national scheme of price deficiency payment. One hopes the NITI Aayog will take into account that, most of the time, procurement is a loss-making exercise. So why not transfer the money directly to farmers' accounts as Telengana is doing through direct investment support?

Unless the farmer receives the higher MSPs announced by the government, he remains only a mute spectator of the games played in his name in an election year.

Implications of a steep hike in cotton MSP

Given the recent pest attacks and reduction in crop acreage, MSP hike will work well to keep farmers committed to cotton cultivation, in spite of adversities

The double digit increase in minimum support price (MSP) of cotton will sustain farmer interest in the crop, but weigh of profits of spinning mills

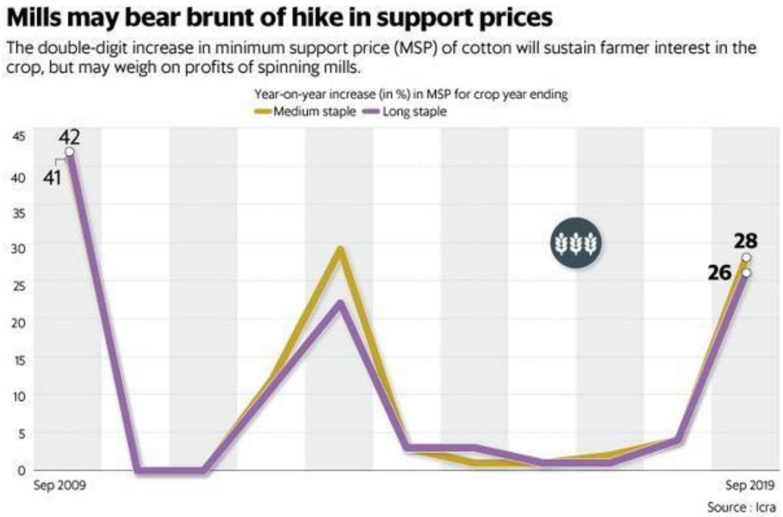
Jul 09 2018 | Vatsala Kamat

livemint

The steep hike of 28% and 26% in the minimum support price (MSP) on medium-staple and long-staple fibre cotton respectively has come as a surprise, for two reasons. One, the MSP hike comes after five consecutive years of only single-digit MSP increases. The last such hefty one was 29% and 22% respectively in 2013. Two, the cotton prices currently are higher than the proposed MSP, because of the deficit in global and domestic supply.

Is higher MSP for cotton redundant then? Yes, in the short term. However, given the recent pest attacks and reduction in crop acreage, MSPs will work well to keep farmers committed to cotton cultivation, in spite of adversities.

The proposed MSP ensures a 50-60% return over the cost of production. Given that India is now the largest producer of cotton after it overtook US and China in 2015-2016, it pays to support farmers in cotton growing. Besides, MSPs mitigate the risk of price volatility too.



But, in the longer term, a steep rise in Indian MSPs will set the stage for a high floor price in both domestic and global markets.

This could puncture the fortunes of spinning mills. Note that the large integrated mills fared well in the last three to four quarters. Ebitda (Earnings before interest, tax, depreciation and amortization) margin had improved by 100-150 basis points (bps) year-on-year for the March quarter.

A report by Icra Ltd says that the MSP revision may elevate working capital requirements for mills. This, in turn, would warrant a calibration of the end product pricing, to accommodate the upward shift in cost trajectory. Larger mills that stocked up low price cotton may not feel the impact in the near term, but smaller ones would bear the brunt of high raw material cost.

In such a scenario, the key to spinning mills' profits is high demand for yarn and the ability to pass on cost pressures.

Besides MSP, another development at the global level is China's retaliatory imposition of 25% duty on yarn imported from the US. This could indirectly foster cotton yarn exports from India.

With the festive season ahead, demand for yarn in home markets should be stable too. So demand for cotton should stay strong.

To sum up, while high MSPs would engage farmers in cotton growing, the higher floor price could impact profit margins of spinning mills if demand slows down.

AIBEA THIS DAY JULY 16	
1963	**AIBEA Delegation meets Union Labour Minister on extension of Desai Award.**
1969	**Bank Employees hail removal of Shri Morarji Desai as Finance Minister from the Cabinet.**
1991	**Residual Issues of 5^{th} Bipartite settled.**
1999	**AIBEA Central Committee meets at Ernakulam**
2003	**Protest Demonstration by bankmen against dismissal of two lakh Government employees in Tamilnadu.**
2008	**All India Badge Wearing (Health Campaign)**

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

***Singapore Plaza, 164, Linghi Chetty Street, Chennai*-600001**

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in