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Do India's public sector bank employees deserve a 20% pay hike?

Wage disparity between the public and private sector bank employees have been longstanding problem. Isn't it high time the government addressed this?

Dinesh Unnikrishnan , Moneycontgrol.com, 29 1 2020

It is 12.25 percent vs 20 percent now. Bank employee trade unions will meet the top brass of Indian Banks Association (IBA) tomorrow in Mumbai for a final round of negotiations before they strike work nationwide for two-days beginning 31 January, demanding higher wages.

The IBA and trade unions negotiate wages for over 8 lakh bank employees in member banks once in every five years. The two are yet to reach a consensus on the revision that was originally due in November, 2017. In the 2012 round, IBA had awarded a 15 percent hike to employees. This time (2017-2022), unions want 20 percent while the IBA has so far offered 12.25 percent.

A rough calculation shows that at 12.25 percent, the additional burden on banking industry will be around Rs 6,400 crore. This will be close to Rs 10,500 crore if the IBA agrees to the unions' demand of a 20 percent hike.

"Our demand is genuine," said C H Venkatachalam, general secretary of All India bank employees association. "If one adjusts inflation and the work load on employees, the pay must be rewarding," Venkatachalam said. An IBA official said the issue will be discussed in tomorrow’s meeting.

Wage hike is only one of the demands pressed by the trade union. Bank employees are also pitching for a slew of other things including five-day work, rise in basic pay, scrapping of New Pension Scheme (NPS), updation of pension, improvement in family pension and equal wage for equal work for contract employees and business correspondents.

Pay disparity

The clash between trade unions and bank managements/ government on the wage issue is not new. For years, unions have been complaining that wages for PSU bankers are far below government servants, forget the private sector counterparts. “While government employees benefited from the liberal pay commission revisions, bank employees are left out. The reason often cited for low pay is high non performing assets in public sector banks. But for this scenario should change, we need to prevent the loss of talent to private sector,” said Naresh Malohtra, and ex-SBI executive who spent around 30 years in the bank.

Wage disparity between the public and private sector bank employees has been a longstanding problem, often triggering debates even among top central bankers. But, the government has not acted to reform the pay structure so far except for minor tweaks. In August 2016, former RBI governor, Raghuram Rajan kicked off a debate on the subject when he said salaries of top level employees of PSBs, including the RBI, are way short of global standards. "One of the problems, of course, is that public sectors overpay at the bottom but underpay at the top. I also feel underpaid," Rajan had said.

Compared to PSB employees, salary levels of private and foreign bank employees at mid-senior levels are high. Trade unions have argued that this anomaly has been impacting the morale of the PSB staff when it comes to operating in a tough operating environment.

Amitabh Kant on $5 trillion economy: Goal is achievable if this happens

FE Online | January 28, 2020

THE FINANCIAL EXPRESS

Amid concerns over India becoming a $5 trillion economy, Amitabh Kant said that the goal is achievable even as it's a tough task

Prime Minister Narendra Modi recently said the target is achievable as the government has set a strong base

Amid concerns over India becoming a $5 trillion economy, Amitabh Kant said that the goal is achievable even as it's a tough task. However, the states would have to play a critical role for the national economy to meet the challenging target, NITI Aayog CEO Amitabh Kant also said at an event in Rajasthan. India would have to grow at 12.4 per cent in nominal and 8.4 per cent in real terms to do so, Amitabh Kant also said, adding that the target can be attained. The central government and states need to facilitate the ease of doing business, Kant also said since wealth is largely created by the private sector.

Prime Minister Narendra Modi recently said the target is achievable as the government has set a strong base. The government has taken all-round measures to develop the economy and even the industry is giving a strong response for the $5 trillion target, he added. The government checked and brought discipline to the economy which was headed towards disaster 5 to 6 years back, Modi also said, adding that the government aims to both formalise and Indianise the economy.

The Indian economy is undergoing a slowdown on account of both domestic and global factors. The GDP growth for Q2FY20 was recorded at a dismal 4.5 per cent. The government has announced a host of measures in the past few months to tackle the slowdown. Meanwhile, the IMF chief Gita Gopinath recently expressed reservations on the same and said that the goal is extremely challenging. India's dream to become a $5 trillion economy is a good aspiration, but it is extremely challenging to reach, mathematically, she said at India Economic Conclave.

Has inequality come down? Here's what data reveals

Madan Sabnavis | January 29, 2020

THE FINANCIAL EXPRESS

In the last six years, there has been a rather sticky movement in pay packets for the class earning higher incomes

Third, the next two categories of Rs 10-20 lakh and Rs 20-50 lakh accounted for 5.2% of assesses and 20.9% of income in 2012-13. BY2018-19, their share was 9.5% in the former and 26.1% in income

The issue of equality has been debated for quite some time, and it is hard to get comprehensive data given the very large presence of the unorganised sector. One dataset that has a limited coverage, though nonetheless is very pertinent, is the one pertaining to income tax returns as it covers all tax assesses. This has limitation insofar as it looks at only income tax assesses and excludes a large part of the community such as agriculture or the gig workers who do not pay tax. But it is still indicative of income levels at the organised level of employment.

For FY19, there were 55.08 million tax assesses, which can amount to around 150-200 million of population depending on whether these tax assesses are single family income earners or dual income families. This number was 28.77 million in FY13, which is the earliest year for which data is available and hence grew at a CAGR of 11.4%. The total income of all assesses increased from Rs 12.14 lakh crore to Rs 34.14 lakh crore, implying a CAGR of 18.8% for the six-year period. GDP in nominal terms increased by around 11.5% during this period, which indicates that those paying taxes had a more robust growth in income over the national average during this period. The average income of tax assesses hence increased from Rs 4.2 lakh to Rs 6.2 lakh, which is a CAGR of 6.6% as against growth of per capita GDP of 10%. Therefore, income tax assesses had a lower growth in average income compared with the national average.

To gauge the level of inequality in this sample of individuals, the following is examined. The income brackets are classified as under less than Rs 5 lakh, Rs 5-10 lakh, Rs 10-20 lakh, Rs 20-50 lakh, Rs 50-100 lakh, Rs 1-10 crore and above Rs 10 crore. The share of taxpayers in these groups are juxtaposed with the share in total income as per the returns that were filed. The two points chosen are 2012-13 and 2018-19. The matrix will then throw light on how different classes of people control the flow of income in the six-year period.

The first is that the number of tax assesses who earn less than Rs 5 lakh has come down sharply during this period and, accordingly, the share in income has gone down. This implies that there has been a good movement up the ladder as a large population that was in this bracket has witnessed improvement in income levels and moved up. It is more likely that the new entrants into the organised workforce are in this bracket. Further, several organisations have increased their base salary, which has put employees in higher income categories.

Second, the above explanation fits well when the bracket of Rs 5-10 lakh is looked at, where the share in total assesses has doubled from 13.8% to 26.7%. The share in income has been more modest by 2.7% points. This has been also the typical spending class in the economy where the younger population tends to be concentrated in the early years of the career.

Third, the next two categories of Rs 10-20 lakh and Rs 20-50 lakh accounted for 5.2% of assesses and 20.9% of income in 2012-13. BY2018-19, their share was 9.5% in the former and 26.1% in income. Here too, there is reason to believe that this is more of upward mobility where the existing workforce has witnessed relatively higher pay revisions and increments, and this has increased their income. This was also the most productive class with 5-10 years' of experience.

Fourth, the next three categories, which are actually very high income groups with over Rs 50 lakh income, show a contrasting picture. These are the groups that are subject to the special income tax surcharge, which goes up further once the Rs 1 crore threshold is breached. For the Rs 50 lakh-Rs 1 crore bracket, the share in both the parameters has increased from 0.23% to 0.38% in number and 3.7% to 4.2% in total income, which is modest. But for those earning above Rs 1 crore, the overall share in the number of assesses has gone up from 0.123% to 0.18%, but the share in income has come down from 8.2% to 7.9%.

The shifts in the highest three brackets are indicative of the fact that in the last six years there has been a rather sticky movement in pay packets for the class earning higher incomes. This can be linked with the economic slowdown, where the corporate sector has not performed too well on the top line and has compensated for the same by controlling costs, which include compensation. Hence, while the number of people who earn above Rs 1 crore has increased from 936 to 2,764, their share in the overall income has come down marginally.

Putting these numbers together, the impression we have is that for this sample of tax assesses, there is no evidence of income equality increasing, and that both of the corollaries hold. First, the people in the lower income brackets have migrated to higher levels, and with more people joining the workforce have had an increased share in the total pie.

Second, those at the highest income levels have witnessed more entrants, but the share in total has reduced marginally. Part of the reason is the economic slowdown where the salary component of senior executives becomes sluggish in the upward direction while there could be compensations in the form of stock options.

However, this analysis does not hold for wealth, as income is not reflective of wealth on which comparable data is not available. The income earned here is based on the returns filed by individuals on which there would be exemptions and hence make the taxable income of a lower order. This is also not a complete picture of inequality as it does not include the poorer people, which include farmers, daily wage earners, domestic help, self-employed with no taxable income and, more importantly, the unemployed.

But it does indicate that once people join the organised sector (defined as those that involve paying income tax), a sense of equality has built up, with there being more competitive opportunity for individuals. Also, the fact that high income earners are financially more onerous to companies has meant that there has been a preference to hire at the mid-level and provide more attractive compensations. Those at the high level will have problems in leaving their jobs even if their pay packages do not increase, as the amount earned is relatively on the upper scale. These may be considered to be the factors that have led to this phenomenon of narrowing the distance between the lower and the higher income groups.

Mudra loans: Banks sanction Rs. 40,000 crore in last two months

G Naga Sridhar Hyderabad | January 29, 2020

Still, they may fall short of last year's disbursal in FY20

Banks have stepped up disbursal of loans under Pradhan Mantri Mudra Yojana (PMMY) in the last two months by disbursing more than ☐40,000 crore.

As on January 24, 2020, the disbursal of Mudra loans sanctioned stood at ☐1,97,816 crore, while the disbursed loan amount was ☐1,91,970 crore, according to government data.

At the end of November 2019, disbursal was only at ☐1.51-lakh crore, which means a little less than one-third of the total loans disbursed was done from December 2019 till date. "There has been a step-up in Mudra loans in the last two months.

“The State Level Bankers’ Committees (SLBC) across the country have also been following it up as the year is drawing to a close. Generally, the last months of a financial year will be good for disbursals as targets have to be met,” a senior official with a major public sector bank told ***BusinessLine***.

However, it is likely that even at this pace, banks are unlikely to reach last year’s disbursal figure. A total amount of ☐3.21-lakh crore was disbursed under the scheme in 2018-19.

This must have also brought down the overall lending for Micro, Small and Medium Enterprises (MSMEs). As per Reserve Bank of India (RBI) data, the total lending to MSMEs in the current financial year has declined by 1 per cent till January 11.

PMMY is a scheme of the Centre, which was launched in April 2015, for providing loans up to ☐10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY.

These are collateral-free loans under three categories – Shishu (up to ☐50,000), Kishore (between ☐50,000 and ☐5 lakh) and Tarun (☐10 lakh). These loans are given by commercial banks, RRBs, small finance banks (SFBs), MFIs and NBFCs. Public sector banks, however, have been the major channels of distribution, with a lion’s share in the total disbursals since the beginning of the scheme.

However, with more than 21 crore loans worth about ☐11-lakh crore under the scheme since 2015, there have been growing concerns with the RBI cautioning banks on rising non-performing assets (NPAs).

Notably, it is the Shishu loan account that forms the highest chunk of NPAs.

Pending disciplinary cases: Government asks PSBs to set up committee of senior officers

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THE HINDU BusinessLine

Panel told to frame timelines to reduce delays in deciding such cases

The government has directed Public Sector Banks (PSBs) to set up a Committee of Senior Officers to monitor the progress of pending disciplinary and internal vigilances. The Committee of Senior Officers has been tasked to frame timelines to reduce delays in deciding such vigilance cases, an official release said.

The Finance Ministry, while issuing these directions, highlighted that procedural delays in disposing pending disciplinary and internal vigilance cases adversely affects the morale of employees and also breeds inefficiencies in the system.

The latest government directive on this front comes after Finance Minister Nirmala Sitharaman's meeting with the chief executives of PSBs on December 28 when she asked banks to form committees at the level of general managers to look into all pending vigilance cases against employees and take a call as to whether they should be pursued or closed.

The main objective behind such a directive is to ensure that such cases do not remain unattended for years.

"There have been instances where the employees concerned would have retired and gone away. Due justice is not done for anybody involved in such cases that remain unattended," Sitharaman had then said.

At that meeting on December 28, CBI Director Rishi Kumar Shukla is understood to have brought to the attention of the Finance Minister that over several years there has been an accumulation of vigilance cases within the banks which they (banks) have to take a call on. They (banks) have kept it as it is without closing them or taking any action.

Banks were also directed not to sit on cases involving the employee, which could be handled through departmental actions itself.

Meanwhile, the Finance Ministry, on Tuesday, detailed the several measures that the government has taken to protect honest commercial decisions of bankers, while reiterating the Finance Minister's assurance that distinction would be made between genuine commercial failures and culpability (of bankers).

The measures taken by the government on this front include introduction of Section 17A in Prevention of Corruption Act requiring prior permission before initiating investigation against a public servant.

The government has also constituted an Advisory Board for Banking and Financial Frauds (ABBFF) for first level of examination of suspected frauds in excess of ☐50 crore.

Also, the personal responsibilities of MD and CEOs of PSBs for compliance with prescribed timeslines have been done away with. Powers have been delegated by Department of Financial Services (DFS) to the boards of PSBs to put in place a suitable mechanism for ensuring compliance of the various timelines laid down in RBI and CVC circulars.

The Centre has also aligned the norm requiring **c**ompulsory examination of fraud for all NPA accounts exceeding ☐50 crore with the CVC circular of January 15 this year, whereby all such cases of suspicious fraud are to be initially referred to the ABBFF.

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