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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

100-year-old CSB to transform into new-age lender

TNN | Jan 20, 2021, from MUMBAI:

The 100-year-old CSB Bank (formerly Catholic Syrian Bank), which is now majority owned by Canadian-billionaire Prem Watsa's Fairfax Group, has charted a route to transform itself into a new-generation private bank.

CSB is the first private bank to be taken over by a foreign investor. A new-age lender is like the new-generation private banks which are characterised by use of technology for operations, digital channels for customer engagements and verticals for different businesses.

Announcing its results on Tuesday, the bank introduced its new senior management team that will help drive the change.

The board also announced a voluntary retirement scheme for employees aged over 50 who have put in at least 10 years of service. C V R Rajendran, the bank's MD & CEO, said that they were open to acquisitions although there was nothing in the pipeline. He said that 223 employees were eligible for the scheme and, should they opt for it, it will cost the bank Rs 80 crore. The third quarter saw the bank's net profit rise 88% to Rs 52 crore from Rs 28 crore a year earlier. The bank's advances were up 22%, while deposits were 21% higher. The loan growth was largely on account of a 60% jump in gold loans, which now account for 40% of all loans. According to Rajendran, gold loans are the safest asset as there was a 25% margin on the loan to asset value on its portfolio. "If the price of gold falls and the loan to value rises to 90%, a recovery mechanism gets activated" he said.

Kerala bank employees' union oppose CSB's plan to offer VRS to award employees

Our Bureau Mumbai January 21, 2021 BUSINESSLINE

The implementation of the scheme will benefit the bank both in terms of financial and customer service, said CSB Bank in the filing

The All Kerala Bank Employees' Federation (AKBEF) has opposed CSB Bank's plan to offer voluntary retirement scheme (VRS) to award staff.

The Board of the Thrissur- headquartered CSB Bank had approved the roll-out of VRS on January 19.

CD Josson, General Secretary, AKBEF, said that bringing exit-option for award staff was most inappropriate when the bank needs to expand its services utilising the experience, expertise and local roots of the employees.

Also read: Kerala bank employees' body opposes full-fledged functioning of branches

If the management's plan was to replace permanent employees with contract and cost-to-company mode employees, that would be regressive and anti-labour, he alleged.

KS Krishna, Joint Secretary, All India Bank Employees' Association, said at a time when the government and private sector institutions should be ensuring stable employment, it is most intriguing that CSB Bank is going ahead with VRS in the current pandemic situation, even after it has announced better third quarter (October-December 2020) results.

CVR Rajendran, MD and CEO, CSB Bank, said that 223 employees are eligible for VRS and if all these employees opt for the scheme, the outgo for the bank will be around ₹80 crore.

Eligibility

As per the bank's regulatory filing, VRS will be offered to the eligible award staff, who have completed 50 years of age and have a minimum of 10 years of service with the Bank. The scheme will be effective from January 25, 2021, for such period, as specified in the scheme.

Also read: Banks' union urges Kerala CM to restrict bank timings, initiate rapid antigen test on employees

The implementation of the scheme will be beneficial to the bank in the long run, both in terms of financial and customer service point of view, said CSB Bank in the filing.

Rajendran said the average annual salary of the award staff is about ₹11-12 lakh.

FD holders vote against DHFL resolution plan proposals

Surabhi Mumbai | January 16, 2021

BUSINESSLINE

Continuing their demand for full repayment of their investments, fixed deposit holders of Dewan Housing Finance Corporation Ltd (DHFL) voted against all the proposals as part of the resolution process.

Voting on the proposals by the Committee of Creditors ended on January 15.

Public depositors, who have a 6.18 per cent share in the voting mechanism, voted against all the proposals.

“We will continue to fight the case in the National Company Law Tribunal. We believe that voting against the proposals will strengthen our case,” said Vinay Kumar Mittal, a lead petitioner in the court on behalf of FD holders of DHFL.

The NCLT is hearing a petition of FD holders on DHFL dues and the next hearing is scheduled on January 20.

FD holders have been opposing the resolution plan as many of them would get negligible amount of their investments back.

Under the proposal for payout to FD holders and non-convertible debenture holders for DHFL, they will be divided into four categories based on the value of their admitted claims.

The first category of up to Rs 2 lakh will get 100 per cent repayment of the principal under the resolution mechanism.

“The aggregate additional amounts to be distributed to the FD holders in Category 1 and secured NCD holders in Category 1 shall be paid in full to the extent of principal from upfront cash up to two per cent of the resolution plan payment with the intention of providing the maximum principal recovery to them basis amounts available,” said the proposal.

The second category is between Rs 2 lakh and Rs 5 lakh, followed by the third category of Rs 5 lakh to Rs 10 lakh and the fourth category would be of over Rs 10 lakh.

The proposal has however, been approved by the CoC with about 87 per cent of votes in favour of it.

Piramal Capital and Housing Finance, which has emerged as the winning bidder for DHFL, is understood to have set aside funds for FD holders in its resolution plan.

Budget 2021 Expectations: Tax, FDI reforms to provide much-needed impetus to insurance industry

Priyadarshini Maji | Jan 15, 2021
THE FINANCIAL EXPRESS

The Government could tweak the tax regime to incentivise the taxpayer to obtain insurance through measures such as enhancement of tax rebates under Section 80C and Section 80D of the Income Tax Act

The Government could reduce the Goods and Services Tax currently payable on insurance premiums

The low insurance penetration in non-mandatory insurance segment like health insurance has been a cause for concern for several years. Given the renewed focus on the insurance sector in light of the COVID-19 pandemic to enhance insurance coverage, industry experts believe the government should leverage the Budget 2021 to mitigate individual and industry distress to some extent possible.

Experts say, reforms in two key areas – tax and foreign direct investment (FDI) – are expected to be undertaken, as a part of the Budget 2021. From a consumer standpoint, experts believe having a separate tax deduction towards insurance premiums, over and above the current 80C limit, similar to one allowed for NPS, could benefit taxpayers. Alternatively, enhancing the insurance limits under section 80C and 80D will further encourage people to opt for life insurance.

Alina Arora, Partner, Shardul Amarchand Mangadas & Co. says, "The Government could tweak the tax regime to incentivise the taxpayer to obtain insurance through measures such as enhancement of tax rebates under Section 80C and Section 80D of the Income Tax Act. Having said that, the Government could also reduce the Goods and Services Tax currently payable on insurance premiums. These tax relaxations and incentives will go a long way in increasing insurance penetration India."

Additionally, Rushabh Gandhi, Deputy CEO, IndiaFirst Life Insurance Company, says "Linking of Sec 10(10D) to policy persistency instead of the amount of Sum Assured i.e., Sec 10(10D) should be available for policies where minimum 5 annual premiums have been paid with a minimum policy term of 10 yrs."

On the FDI front, experts say the Government could liberalise the FDI Regime through the Budget 2021 and raise the current FDI limits from 49 per cent to 74 per cent of paid-up equity capital. Gandhi, says "As a sector, the most recent deliberations on insurance is around the proposed increase in FDI. If the government increases the FDI limit in insurance to 74 per cent, insurers may be able to attract additional capital to expand the business and increase insurance penetration in the country. It would also potentially support the government's divestment programme."

Easing the FDI limits will provide a much-needed impetus to the insurance industry, which is capital-intensive and requires a sustained infusion of capital, and will fetch greater interest from investors for such infusion as they will exercise control and avail better returns. Additionally, this will also enable existing promoters to unlock better value from their investments in existing insurance ventures. Arora says, "Further, provision of control to foreign insurers will result in the introduction of global best practices, innovative products and technologies of trusted multinational insurance brands."

Other areas of consideration include amendments in tax treatment for an annuity as proposed by PFRDA regulator i.e. making annuity income as tax-free income, leading to greater uptake in annuity policies resulting in improved financial security during post-retirement years. Gandhi, says "This recommendation is particularly critical in India which has limited social security measures. Additionally, the government could also reassess the GST rate structure for pure protection cover and offers relaxation on existing 18 per cent GST."

Economy likely to contract up to 7.5% this fiscal, may see 9-11% growth in FY22: Former CEA Arvind Virmani

PTI | January 15, 2021

THE FINANCIAL EXPRESS

Addressing a virtual event organised by industry body PHDCCI, Virmani said in the upcoming Budget, the government should come up with policies to accelerate India's economic growth

Arvind Virmani also suggested that the government should spend more on infrastructure projects, modernise sewage system to deal with the future pandemic and invest on R&D on contagious diseases.

The Indian economy is likely to contract in the range of 5-7.5 per cent this fiscal but will see a growth of 9 to 11 per cent in FY 2021-22, former chief economic adviser Arvind Virmani said on Friday.

Addressing a virtual event organised by industry body PHDCCI, Virmani said in the upcoming Budget, the government should come up with policies to accelerate India's economic growth.

"In the post-pandemic Budget, policy reforms (are) needed for accelerating India's economic growth…," he said adding that the economy is likely to contract to 5 per cent to 7.5 per cent in FY2020-21 and grow 9-11 per cent in the next fiscal," he said.

The Union Budget for FY2021-22, the eighth of the Narendra Modi-led government, is scheduled to be presented in Parliament on February 1, 2021.

Finance Minister Nirmala Sitharaman will be presenting her third Budget.

The Reserve Bank of India (RBI) has projected the Indian economy to contract 7.5 per cent in the current fiscal while the National Statistical Office (NSO) estimates the contraction at 7.7 per cent.

Virmani further said that India can't become 'Aatmanirbhar' with the 20th-century Direct Tax Code (DTC).

"There is a need to simplify direct taxes and indirect taxes for MSMEs. We can't have 21st century Aatmanirbhar with 20th century DTC… We need 21st century Direct Tax Code," he said.

The eminent economist also emphasised that there is a need of 15 per cent uniform GST rate for 75 per cent of goods and services.

Noting that production-linked incentive (PLI) was actually a very good scheme, Virmani said the government should promote employment generating exports.

Virmani also pointed out that free trade agreements (FTAs) with the US, European Union (EU) and the UK are much important than with the Regional Comprehensive Economic Partnership (RCEP) because most MNCs are located in the US, EU and the UK.

He also suggested that the government should spend more on infrastructure projects, modernise sewage system to deal with the future pandemic and invest on R&D on contagious diseases.

Centre wants states to review labour laws for harmony with new central codes

Surya Sarathi Ray | January 15, 2021

THE FINANCIAL EXPRESS

Sources said the union labour ministry has decided to appoint legal advisors soon, mandating them to examine whether the state laws are in sync with the central codes. If the harmony is found to be lacking, then states will be asked to either amend

them or take Presidential assent for their respective laws once again

New rules under the labour codes will be implemented anytime after the current month

To bring uniformity in the labour laws across the country, the Centre is planning to ask the states to modify, if necessary, their laws to ensure that they are in consonance with the new central labour codes.

Sources said the union labour ministry has decided to appoint legal advisors soon, mandating them to examine whether the state laws are in sync with the central codes. If the harmony is found to be lacking, then states will be asked to either amend them or take Presidential assent for their respective laws once again.

New rules under the labour codes will be implemented anytime after the current month. "Any state law which is not in consonance with the central law needs to be amended. So, we are appointing legal consultants who will look at all the laws in the states and assess whether these laws are in consonance with the new codes. And if they are not, we will take it up directly with the states and point out the dissonance between the labour code," a senior union labour ministry official said.

During the early days of the pandemic, in order to lure investment and make operations of business viable, some states went overboard and announced sweeping changes in labour laws including scrapping of some provisions of the relevant laws for three years or more, much beyond the permissible limit of three months, forcing the International Labour Organisation (ILO) to write to the Prime Minister seeking him to intervene so that country's international commitments on the labour front is upheld.

While this could be one of the reasons for the Centre to try to bring in uniformity between the Central legislations and the state laws, it may also have stemmed from the apprehension that state governments may deviate from the reform path of the Centre, as labour is a concurrent subject on which the Centre as well as states can make laws.

"This is an irony. On the one hand, you are leaving it to the states to compete for foreign capital and on the other, you want a synchronised legislative system. So, progressive states will lose their labour advantage," said XLRI professor K R Shyam Sundar.

Incidentally, the new codes have given enough legroom to states to make suitable changes from the new central legislation. One such leeway is in the Industrial Relations Code where the Centre has granted the states power to allow industrial establishments to resort to lay-offs, closure and retrenchment even if the establishment has more than 300 workers.

Open to look at proposal for setting up bad bank: RBI

Our Bureau Mumbai | January 16, 2021

THE HINDU BusinessLine

Proposals in this direction from as far back as 2016-17 remain only on paper yet

The Reserve Bank of India (RBI) is open to looking at any proposal for setting up a bad bank, according to Reserve Bank of India (RBI) Governor Shaktikanta Das.

"A bad bank has been under discussion for a very long time. We have regulatory guidelines for Asset Reconstruction Companies (ARCs). If any proposal (for setting up a bad bank) comes, we are open to examining it and issuing required regulatory guidelines," Das said in an interaction with participants after delivering the Nani Palkhivala Memorial Lecture.

The Governor emphasised that it is for the government and other private sector players to really plan for the bad bank.

"As far as RBI is concerned, we try to keep our regulatory framework in sync with the requirement of the times. If there is a proposal for setting up a bad bank, RBI will examine and take a view on that," Das said.

The Economic Survey 2016-17 had suggested setting up of a centralised Public Sector Asset Rehabilitation Agency (PARA) to take charge of the largest, most difficult cases, and make politically tough decisions to reduce debt. But no steps have been initiated so far to set up PARA.

Later, in 2018, the Sunil Mehta committee had recommended an Asset Management Company-led resolution approach for loans over Rs.500 crore. This proposal too, has remained only on paper.

The need to set up a bad bank assumes importance in the context of macro stress tests for credit risks conducted by RBI showing that the gross non-performing asset (GNPA) ratio of Scheduled Commercial Banks (SCBs) may increase from 7.5 per cent in September 2020 to 13.5 per cent by September 2021 under the baseline scenario.

If the macro economic environment deteriorates, the ratio may escalate to 14.8 per cent under the severe stress scenario. These projections are indicative of the possible economic impairment latent in banks' portfolios, according to RBI's latest Financial Stability Report (FSR).

In his lecture, the Governor noted that the current Covid-19 pandemic-related shock will place greater pressure on the balance sheets of banks in terms of non-performing assets, leading to erosion of capital.

"Building buffers and raising capital by banks – both in the public and private sectors – will be crucial not only to ensure credit flow but also to build resilience in the financial system. We have advised all banks, large non-deposit taking NBFCs (non-banking finance companies) and all deposit-taking NBFCs to assess the impact of Covid-19 on their balance sheets, asset quality, liquidity, profitability and capital adequacy, and work out possible mitigation measures, including capital planning, capital raising, and contingency liquidity planning, among others," he said.

Prudently, a few large public sector banks (PSBs) and major private sector banks (PVBs) have already raised capital, and some have plans to raise further resources taking advantage of benign financial conditions. He emphasised that this process needs to be put on the fast track.

Das observed that the integrity and quality of governance are key to good health and robustness of banks and NBFCs.

"Recent events in our rapidly evolving financial landscape have led to increasing scrutiny of the role of promoters, major shareholders and senior management vis-à-vis the role of the Board. The RBI is constantly focussed on strengthening the related regulations and deepening its supervision of financial entities…Some more measures on improving governance in banks and NBFCs are in the pipeline," he said.

Capital inflows

While abundant capital inflows have been largely driven by accommodative global liquidity conditions and India's optimistic medium-term growth outlook, domestic financial markets must remain prepared for sudden stops and reversals, should the global risk aversion factors take hold, said Das.

Under uncertain global economic environment, emerging market economies (EMEs) typically remain at the receiving end, he added.

"In order to mitigate global spillovers, they have no recourse but to build their own forex reserve buffers, even though at the cost of being included in the list of currency manipulators or monitoring list of the US Treasury. I feel that this aspect needs greater understanding on both sides, so that EMEs can actively use policy tools to overcome the capital flow-related challenges," Das said.

The Reserve Bank is closely monitoring both global headwinds and tailwinds while assessing the domestic macro-economic situation and its resilience.

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