AIBEA's Banking News

1, 2 FEBRUARY, 2021

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Budget 2021 | Bad bank is a bad idea, privatisation of public sector banks retrograde: AIBEA

The AIBEA said the bad bank is a bad idea and is meant only to remove corporate defaulters from the books of the banks.

MONEYCONTROL NEWS
FEBRUARY 01, 2021 /

All India Bank Employees Association (AIBEA), the largest trade union of bank employees, has threatened to strike work against Budget proposals such as privatisation of state-run banks and setting up of bad bank.

In the Budget 2021, Finance Minister Nirmala Sitharaman said the government will initiate divestment in two more public sector banks (PSBs). "Privatising them means handing over people's money to private hands with vested interests," AIBEA said in a statement.

"As regards the Government's proposal to privatise the banks along with more FDI in the insurance sector, sale of shares of LIC, starting a Bad Bank/ARC, etc. AIBEA will shortly decide agitational programmes including strike actions," said the trade union in a statement. Government has over 70 percent stake in ten banks and has over 90 percent stake in three banks.

With respect to the government's decision to set up a bad bank, the AIBEA said the bad bank is a bad idea and is meant only to remove corporate defaulters from the books of the banks.

"Bad Loans and NPAs in the banks have been increasing year after year because of corporate defaulters. Instead of taking tough action on them, Government wants to whitewash the balance sheets by shifting these bad loans from the books of the banks to the asset reconstruction company (ARC) or the Bad Bank," AIBEA said.

Such a bad bank will only benefit the corporate defaulters and remove all the bad loans from public glare and silently write them off, the AIBEA said.

A bad bank is a long pending idea. This will be an entity where all stressed assets of the system will be transferred freeing up the originating banks from the burden. The government has said it will set up an ARC-AMC model entity to address the problem of stressed assets.

Budget more rhetoric again, far away from ground realities : AIBEA

Hyderabad, Feb 1 (UNI) UNITED NEWS OF INDIA

The Union Budget presented by Finance Minister Nirmala Sitharaman in the Lok Sabha is once again full of claims and rhetoric and far away from ground realities, All India Bank Employees Association (AIBEA) opined on Monday.

It was expected that with the experience gained during the pandemic period, there would be some sensible measures to take our economic forward. But this Budget is again another exercise beating the same track, AIBEA General Secretary Ch Venkatachalam said in a release.

He said the government's Economic Survey talks of poverty reduction is the top priority rather than reducing disparity. But figures are coming out that while billionaires have swelled their assets, the poor people continue to grown under poverty.

Economic Survey also talks of people spending less money on hospitalization expenses. But everyone knows that this not the indication of improvement in health sector but the fact that people have no money to access the increasing privatized health care system, he added.

Mr Venkatachalam said Our country has the largest population of young people and hence creating jobs for them is the main issue. Already about 120 million people have lost their jobs. In this budget there is no measure to create jobs except some meagre announcements.

In this Budget also, the Finance Minister has mentioned about doubling the farmers' income but it does not spell out how this is going to achieved. With Government insisting on their Farms Laws, the plight of farmers will further worsen, he said.

Mr Venkatachalam said the Economic Survey also claims that the new Labour Codes are good for the workers.

Ms Sitharaman has also spoken on the same lines in her speech. But when all trade unions are opposing the adverse changes in the labour laws, the Union government has not tried to address any of them, he added.

The AIBEA General Secretary said the announcement that FDI would be permitted upto 74% in insurance sector is a retrograde measure and unscrupulous foreign investors will play havoc with the people.

Similarly, the Finance Minister has also announced that th shares of LIC will be sold away to private hands and amendment to LIC would be done soon.

There is also the major announcement that two Public sector banks and one General Insurance Company would be privatized. Banks and Insurance companies deal with people's money. Privatising them means handing over people's money to private vested interests, Mr Venkatachalam remarked.

Bad Loans and NPAs in the Banks have been increasing year-after-year because of Corporate defaulters. Instead of taking tough action on them, the Central government wants to white wash the Balance Sheets by shifting these bad loans from the books of the Banks to the Assets Reconstruction Company or the Bad Bank.

This will only benefit the Corporate defaulters and remove all the bad loans from public glare and silently write them off, he added.

As usual this year Budget is also disappointing. There is no concrete measure to revive and improve the economy and ensure better living conditions for the poor.

As regard to the Government's proposal to privatise the Banks along with more FDI in insurance sector, sale of shares of LIC, starting a Bad Bank/ARC, etc. AIBEA will shortly decide agitational programmes including strike actions, Mr Venkatachalam said.

Press Release

AITUC dubs this year's budget another exercise to encourage corporate loot and sale of national assets

The budget is repetition of the already announced packages by the Finance Minister in the month of May, friendly to Indian and foreign Corporate with huge concessions, reduction in tax for them and increase in the cess on common man, burdening them more when there is crisis for their livelihood itself. The workers and farmers are ignored in favour of looters of our national assets.

The budget continues in the direction of selling our public sector banks, disinvesting LIC upto 75 percent, and pursuing the disinvestment and privatisation moves in the already announced profit making public sector enterprises and further adding in the list. The stated target of raising upto Rs. 1.75 lakh crore from disinvestment of profit making Public Sector Enterprises exposes the motives of and bankruptcy of the government.

The allocation in the MGNREGA is actually reduced whereas this had proved to be a great relief to many of the people in the lockdown period who had walked for miles to their villages after loss of jobs and livelihood.

There is nothing to suggest for job generation which is the dire need of the time for revival of economy. What is talked about is the indirect job creation through projected Investments, which is no guarantee. The urban employment scheme like MGNREGA is the dire need ignored by the Finance Minister.

This budget actually follows the policy to allow the loot of Indian people's money instead of recovery of huge NPAs. Rather the Finance Minister has declared that the files of more than three years period of income tax defaulters will not be opened. It is clear invitation to the looters of people's money to continue looting as well as it is giving green signal to those whose loot should be recovered in the interest of common masses.

The Finance Minister indicated that the government is going to review 400 already existing exemptions and would make changes. One doesn't know what is in store. There is another tax holiday year for the Start Up projects as well as concessions on their capital gains. Service sector and specially the hospitality industry which suffered during this period heavily, does not get attention in this budget. The excise duty in the service sector has been doubled since 2014. Once again the myth is repeated that with growth, jobs will automatically get created. The experience of the past is that the jobs could be generated even when there was no growth rate and there were times when the growth was there but it was jobless growth. While talking of migrant workers, none of the necessary concerns of theirs was taken note of but the only statement comes about credit relief for housing for another year. The budget doesn't address the issue of fishing community but rather talks of only harbor development.

The anti worker labour reforms which are being vehemently opposed by the trade unions find favour with the Finance Minister.

All announcements on infrastructure spending as in the past do not give any guarantee of things getting implemented and the five states are specially targeted keeping forthcoming elections in mind.

The budget on health allocation is not only inadequate, but ignores the ground realty of our public health system at all levels needs immediate serious attention.

MSME sector was worst affected during pandemic with workers losing crores of jobs but there is no serious attempt by the government for its revival. Here and there some statements in regard to custom duties is neither going to help our general industrial scene nor much help to MSMEs.

There is no relief to the farmers' rather the government has only announced the increase of threshold for taking loans. It is a cruel joke on the farming community which is already finding itself in tight corner entrenched in debt. The demands of the farmers are totally ignored rather the farm laws are being praised by the government as a boon to them, when they are braving all odds seeking their total repeal.

The budget has totally ignored the poor masses and their needs.

Once again this Government is batting for the Corporates and abandoning the common masses pushing Indian economy further into mess.

AITUC calls upon its unions and the working class in general to this anti people budget. On their nationwide protest on 03rd February for burning of labour codes also burn the budget copies.

Amarjeet Kaur, General Secretary, AITUC

---

3 PSU banks likely to be out of PCA framework by March: DFS Secretary

: February 02, 2021 PTI

The finance ministry expects the remaining three public sector banks (PSBs) to be out of the RBI's prompt corrective action (PCA) framework in two months as their financial health has improved.

Indian Overseas Bank, Central Bank of India and UCO Bank are currently under this framework which puts several restrictions on them, including on lending, management compensation and directors' fees.

"In fact, these three banks are also now consistently for the last two quarters... in profit and they are fulfilling by and large all the parameters of the Reserve Bank of India (RBI)," Financial Services Secretary Debasish Panda said.

In any case, he said, "they are lending, they're doing all that businesses but there are some restraints, so that they will be out of that. So we hope that before the close of this financial year (they should be out of PCA)." He also assured additional capital for these banks if the regulator insists as the government has cushion of the remaining amount of Rs 20,000 crore recapitalisation budget for PSBs.

"Although we believe that they are already meeting the regulatory requirement of 11.5 per cent Capital to Risk (Weighted) Assets Ratio (CRAR) so that we will take it forward and we hope that they should also come out from the PCA," he said.

For the current financial year, the government had allocated Rs 20,000 crore for capital infusion into the PSBs for meeting the regulatory requirement. Among the 12 PSBs, Punjab & Sind Bank was given Rs 5,500 crore.

Parliament had in September approved the Rs 20,000 crore capital infusion in PSBs as part of the first batch of Supplementary Demands for Grants for 2020-21. With Rs 5,500 crore going to Punjab & Sind Bank, the government is left with Rs 14,500 crore.

PSU banks to raise Rs 10,000 crore in two months: DFS Secretary

By: PTI | February 2, 2021

In the last few months, lenders including State Bank of India, Canara Bank and Punjab National Bank (PNB) have raised about Rs 50,000 crore from the market.

RBI Governor Shaktikanta Das has been advising banks to proactively raise capital and not wait for a difficult situation to arise due to the ongoing COVID-19 crisis.

Public sector banks (PSBs) are planning to raise about Rs 10,000 crore through a mix of equity and debt in the remaining two months of the current fiscal ending March to support credit pick up and meet regulatory requirements.

In the last few months, lenders including State Bank of India, Canara Bank and Punjab National Bank (PNB) have raised about Rs 50,000 crore from the market.

“Banks have raised about Rs 50,700 crore from the market and we expect another Rs 8,000-10,000 crore to be raised in the remaining part of the year,” Financial Services Secretary Debasish Panda told PTI.

With regard to COVID-stress, he said banks have made good enough provisions anticipating slippages.

The government’s allocation of Rs 20,000 crore for 2021-22 would act as a buffer and used as and when required, he added.

In December 2020, Canara Bank raised Rs 2,000 crore while Punjab National Bank (PNB) raised Rs 3,788.04 crore through qualified institutional placement (QIP).

RBI Governor Shaktikanta Das has been advising banks to proactively raise capital and not wait for a difficult situation to arise due to the ongoing COVID-19 crisis.

Besides, the government has allocated Rs 20,000 crore for capital infusion into PSBs in the current fiscal. Of this, the Finance Ministry has granted Rs 5,500 crore to Punjab & Sind Bank to meet the regulatory requirement. The government approved capital infusion through preferential allotment of equity shares in Punjab & Sind Bank last month.

During 2019-20, the government made Rs 70,000 crore capital infusion into the PSBs to boost credit for a strong impetus to the economy. Punjab National Bank got Rs 16,091 crore, Union Bank of India received

Rs 11,768 crore while Canara Bank and Indian Bank got Rs 6,571 crore and Rs 2,534 crore, respectively.

LIC Act amendment: Centre to hold 75% stake for at least 5 years, minimum shareholding not to go below 51%

Surabhi Mumbai | February 02, 2021 businessline

The Centre will hold at least 75 per cent stake in state-owned Life Insurance Corporation of India for the next five years and will continue to hold at least 51 per cent in the life insurer after that period.

The Amendments to the Life Insurance Act, 1956, which was tabled along with the Finance Bill, also proposes to increase the authorised share capital of the corporation to ₹25,000 crore divided into 2,500 crore shares of ₹10 each.

Finance Minister Nirmala Sitharaman had, in the Budget, said that the government would like to take ahead the initial public offering of LIC in the coming fiscal.

"In 2021-22 we would also bring the IPO of LIC, for which I am bringing the requisite amendments in this Session itself," she had said as part of the Budget speech.

The other amendments to the Life Insurance Act include introduction of provisions on corporate governance in line with SEBI norms to enable listing of LIC on stock exchanges.

"It is further proposed to substitute section 4 of the LIC Act to provide for the vesting of the general superintendence and direction of the affairs and business of the LIC in its Board of Directors...," said the Notes on Clauses of the Finance Bill.

Other amendments propose to include new sections for constitution and composition of an executive committee to provide for an annual general meeting, appointment of auditors and declaration of dividend.

A key amendment is also regarding the utilisation of surplus from life insurance business under which it pays 5 per cent of the surplus to the government.

The government will also likely to continue with its guarantee on LIC policies.

The amendments further propose to enable issue of shares to the Central Government against paid-up capital invested by it in LIC as well as issue of bonus shares to it, which could be offered for sale by way by IPO, with resultant receipt of money into the Consolidated Fund of India.

Stiff opposition

LIC's employees unions are, however, not happy with the move to go ahead with the IPO and are planning to oppose it.

"Over the course of the next few days, employees will be deciding on their strategy to oppose it," said a union leader.

In a statement, the Bhartiya Mazdoor Sangh had also said that aggressive disinvestment programme and bringing IPO of LIC will reduce the charm of Atmanirbhar Bharath and benefits of some good proposals in the Budget.

Two PSBs, one insurance firm to be privatised

Our Bureau. Mumbai | February 01, 2021 BUSINESSLINE

The government is planning to set the ball rolling on privatisation of two public sector banks (PSBs) and a general insurance company in 2021-22.

It also plans to infuse ₹20,000 crore into PSBs to further augment their financial capacity.

"Other than IDBI Bank, we propose to take up the privatisation of two Public Sector Banks and one General Insurance company in the year

2021-22," said Finance Minister Nirmala Sitharaman in her 2021-22 Union Budget speech.

The Minister said privatisation of the aforementioned entities would require legislative amendments and she proposes to introduce the amendments in this (Budget) Session itself.

IPO of LIC

In 2021-22, the government will also bring the initial public offer (IPO) of the Life Insurance Corporation of India (LIC). For this move, too, the government will bring the requisite amendments in this session itself.

Currently, there are 12 public sector banks (PSBs) and 4 public sector general insurance companies.

In her 2020-21 Union Budget speech, Sitharaman had proposed to sell the balance holding of the government in IDBI Bank to private, retail and institutional investors through the stock exchange. The government and LIC currently hold 45.48 per cent and 49.24 per cent stake, respectively, in IDBI Bank.

Rajkiran Rai G, Chairman, Indian Banks' Association (IBA), said: "Recapitalisation of Public Sector Banks to the tune of ₹20,000 crore will help the banks to shore up the capital and provides additional room for lending.

"Proposals for the privatisation of two public sector banks and an insurance company are bold reform measures announced in the budget."

A bold move

Banking expert Hari Hara Mishra observed that the announcement on privatisation of two PSBs is a bold move on financial reforms. It will enhance competitiveness in the banking sector and improve efficiency.

"This will reduce pressure on the government to fund growth capital for these banks. The timing of the move could not have been better as BSE Sensex is near all-time high," said Mishra.

Banking, insurance and financial services are among the four areas considered strategic by the government. Per the policy features of the "Disinvestment/Strategic Disinvestment Policy", in strategic sectors, there will be bare minimum presence of the public sector enterprises (PSEs). The remaining Central PSEs in the strategic sector will be privatised or merged or subsidiarized with other CPSEs or closed.

In non-strategic sectors, CPSEs will be privatised, otherwise shall be closed.

Capital infusion so far

Per the Budget document, ₹80,000 crore in 2017-18, ₹1,06,000 crore in 2018-19 and ₹65,443 crore in 2019-20 was infused for the recapitalisation of PSBs.

Further, a provision of ₹20,000 crore was made in 2020-21 for recapitalisation of PSBs.

In the FY 2020-21 so far, ₹5,500 crore has been infused by the government as fresh capital in PSBs through non-interest bearing special securities.

The government has also infused capital through issue of bonds in three other financial intermediaries – IDBI Bank (₹4,557 crore), EXIM Bank (₹5,050 crore) and IIFCL (₹5,297.60 crore).