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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Woman - Daughter duo end lives not based on their bank loan: AIBEA clarifies

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Central Chronicle

All India Bank Employees' Association (AIBEA) on Saturday clarified that the unfortunate decision taken by a woman and her daughter to end their lives by setting ablaze after pouring kerosene on themselves at Marayimuttam near Neyyattinkara on May 14, was not based on their bank loan and followed by a legal notice sent to them by Canara Bank, Neyyattinkara Branch in Kerala attaching their house property.

In a release here, AIBEA General Secretary C H Venkatachalam said the recent incident related to Canara Bank Neyyattinkara Branch in Kerala and the outrage by some political parties, some organisations and general public on this is totally unwarranted.

Without knowing or verifying the facts, bank branch/office have been attacked and bank staff threatened and harassed. He said even some Ministers have made statements which have added fuel to the fire.

The statement by State Finance Minister Thomas Isaac that the house property cannot be attached by banks for recovery of overdue loans, is neither lawful, nor helpful to the banks, who have given such loans only on the strength of the value of the house property mortgaged to the banks.

Mr Venkatachalam said this statement needs to be retraced as otherwise banks will find it difficult to sanction loans against house property.

Public Sector Banks in the last 50 years have immensely contributed for the economic development and particularly catering to the needs of the common masses on a priority basis. Already there are attempts by the Government to privatise and handover the Public Sector Banks to Corporates. Such unwarranted attacks on public sector banks will only help to add strength to the moves of the Government to privatise the banks, he added.

AIBEA is proud that we fought and achieved Nationalisation of Banks and bank employees are relentlessly fighting back all attempts of privatisation. It is unfortunate that these patriotic bank employees are unfairly attacked and humiliated. This will only frustrate the thousands of young employees and officers, who have joined the bank and working in the banks despite various pressures and difficulties, the Top Union Leader said.

Banks are bound by the rules and policies both for grant of loans and recovery thereof. Banks have their roles and responsibilities to recover the loans, within the purview of the procedures.

While public should not be harassed in the name of loan recovery, the permitted legal measures will have to be taken by banks and managers. If loans are not to be recovered at all, Government can make such schemes and absolve the managers for non-recovery. But banks will cease to be banks if loans are not to be recovered.

We appeal to Chief Minister Pinarayi Vijayan to order necessary inquiry into the whole incident including the statements by Ministers and political attacks on Banks and Bank Staff in discharge of their duties.

Why an industrial policy is crucial

Santosh Mehrotra
MAY 17, 2019
THE HINDU

No major country has managed to reduce poverty or sustain economic growth without a robust manufacturing sector

The contribution of manufacturing to GDP in 2017 was only about 16%, a stagnation since the economic reforms began in 1991. The contrast with the major Asian economies is significant. For example, Malaysia roughly tripled its share of manufacturing in GDP to 24%, while Thailand's share increased from 13% to 33% (1960-2014). In India manufacturing has never been the leading sector in the economy other than during the Second and Third Plan periods.

Core to growth

No major country managed to reduce poverty or sustain growth without manufacturing driving economic growth. This is because productivity levels in industry (and manufacturing) are much higher than in either agriculture or services. Manufacturing is an engine of economic growth because it offers economies of scale, embodies technological progress and generates forward and backward linkages that create positive spillover effects in the economy.

In the U.S. and Europe, after the 2008 crisis, the erstwhile proponents of neo-liberal policies started strategic government efforts to revive their industrial sectors, defying in principle their own prescriptions for free markets and trade. The European Union has identified sector-specific initiatives to promote motor vehicles, transport equipment industries, energy supply industries, chemicals and agro-food industries. The United Nations Conference on Trade and Development or UNCTAD finds that over 100 countries have, within the last decade, articulated industrial policies. However, India still has no manufacturing policy. Focusing (as "Make in India" does) on increasing foreign direct investment and ease of doing business, important though they may be, does not constitute an industrial policy.

Even neo-classical economists accept government intervention in the case of market failures. Mainstream economists point to specific instances of market failure that require a government-driven industrial policy: deficiencies in capital markets, usually as a result of information asymmetries; lack of adequate investments inhibiting exploitation of scale economies; imperfect information with respect to firm-level investments in learning and training; and lack of information and coordination between technologically interdependent investments. These are good reasons why an economy-wide planning mechanism is needed in India. However, the Indian state should steer clear of the "command and control" approach that harks back to pre-1991 days

Key reasons for a policy

So why have an industrial policy in India now? First, there is the need to coordinate complementary investments when there are significant economies of scale and capital market imperfections (for example, as envisaged in a Visakhapatnam-Chennai Industrial Corridor). Second, industrial policies are needed to address learning externalities such as subsidies for industrial training (on which we have done poorly). In fact, industrial policy was reinforced by state investments in human capital, particularly general academic as well as vocational education/training aligned with the industrial policy, in most East Asian countries. However, a lack of human capital has been a major constraint upon India historically being able to attract foreign investment (which Southeast Asian economies succeeded in attracting).

Third, the state can play the role of organiser of domestic firms into cartels in their negotiations with foreign firms or governments — a role particularly relevant in the 21st century after the big business revolution of the 1990s (with mega-mergers and acquisitions among transnational corporations). In fact, one objective of China's industrial policies since the 1990s has been to support the growth of such firms (examples being

Lenovo computers, Haier home appliances, and mega-firms making mobile phones).

Fourth, the role of industrial policy is not only to prevent coordination failures (i.e. ensure complementary investments) but also avoid competing investments in a capital-scarce environment. Excess capacity leads to price wars, adversely affecting profits of firms — either leading to bankruptcy of firms or slowing down investment, both happening often in India (witness the aviation sector). Even worse, price wars in the telecom sector in India have slowed profits (even caused losses), which hampers investment in mobile/Internet coverage of rural India where access to mobile phones and broadband Internet, needs rapid expansion. The East Asian state managed this role of industrial policy successfully.

Fifth, an industrial policy can ensure that the industrial capacity installed is as close to the minimum efficient scale as possible. Choosing too small a scale of capacity can mean a 30-50% reduction in production capacity The missing middle among Indian enterprises is nothing short of a failure of industrial strategy. Contributing to the missing middle phenomenon was the reservation of products exclusively for production in the small-scale and cottage industries (SSI) sector (with large firms excluded) from India's 1956 Industrial Policy Resolution onwards. By the end of the 1980s, 836 product groups were in the "reserved" category produced only by SSIs (which encouraged informal enterprises). Astonishingly, in 2005, there were still 500 products in this category, 15 years after the economic reforms were launched. Thereafter the reservation of products of small firms was cut sharply to 16 products. By then, small scale and informality had gotten entrenched in Indian manufacturing. Incentivisation to remain small in scale cost India dearly.

Sixth, when structural change is needed, industrial policy can facilitate that process. In a fast-changing market, losing firms will block structural changes that are socially beneficial but make their own assets worthless. East Asian governments prevented such firms from undermining structural change, with moves such as orderly capacity-scrapping between competing firms and retraining programmes to limit such resistance. Finally, manufacturing will create jobs; its share in total employment fell from 12.8% to 11.5% over 2012 to 2016.

Unfortunately, the potential role of industrial policy has been consistently downplayed in developing countries outside of East Asia ever since the early 1980s after the growing dominance of the orthodox paradigm with well-known consequences in much of India, Latin America and also sub-Saharan Africa.

The Asian story

The East Asian miracle was very much founded upon export-oriented manufacturing, employ surplus labour released by agriculture, thus raising wages and reducing poverty rapidly. This outcome came from a conscious, deliberately planned strategy (with Five Year Plans). The growing participation of East Asian countries in global value chains (GVCs), graduating beyond simple, manufactured consumer goods to more technology- and skill-intensive manufactures for export, was a natural corollary to the industrial policy. India has been practically left out of GVCs. Increasing export of manufactures will need to be another rationale for an industrial policy, even though India has to focus more on "make for India". From 2014 to 2018 there has been an absolute fall in dollar terms in merchandise exports.

In this quest for increased exports, economies of scale are critical. Such economies were not possible with the policy-induced growth of micro-enterprises and informal units (the unorganised sector accounts for 45% of India's exports).

Lessons from IT taking root

If evidence is still needed that the state's role will be critical to manufacturing growth in India, the state's role in the success story of India's IT industry must be put on record. The government invested in creating high-speed Internet connectivity for IT software parks enabling integration of the Indian IT industry into the U.S. market. Second, the government allowed the IT industry to import duty-free both hardware and software. (In retrospect, this should never have continued after a few years since it undermined the growth of the electronics hardware manufacturing in India.) Third, the IT industry was able to function under the Shops and Establishment Act; hence not subject to the 45 laws relating to labour and the onerous regulatory burden these impose. Finally, the IT sector has the benefit of low-cost, high-value human capital created by public investments earlier in technical education. Without these, the IT success story would not have occurred. These offer insights to the potential for industrial policy when a new government takes over soon.

Air India arm's privatisation hits a bump

Jagriti Chandra
NEW DELHI, MAY 17, 2019
THE HINDU

High royalties quoted by bidders for ground handling unit a concern; deadline for bids extended twice

The government's effort to privatise Air India Air Transport Services Ltd., Air India's ground handling arm, has run into a stone wall, with potential bidders raising concerns over the Airport Authority of India's plan to award ground-handling work at 76 of its airports to vendors. This, according to them, could impact the value of the entity up for sale.

The deadline for bids for 98% stake sale for AIATSL has been extended twice since February 12, when the tender was floated. The original deadline for submission of bids was on February 26, which was first extended to May 26, was pushed further to June 16.

"We have sought a response from the Airport Authority of India (AAI) regarding its tender process for ground handling after which we will be in a position to address concerns raised by potential bidders," said a senior official of the Ministry of Civil Aviation, on condition of anonymity.

Ground handling agencies such as Bird Group, Celebi Aviation Holding, and Bhadra said that high royalties of up to 226% offered by bidders short-listed by AAI would have to be matched by the new buyer of AIATSL to provide services, which will make the entity unviable.

"The outcome of AAI's tender will affect the profitability of AIATSL because of high royalties quoted by short-listed bidders," said Celebi Aviation Holding CEO Murali Ramachandran.

He added that the annual profit of nearly Rs.120 crore earned by AIATSL would be inadequate to match the royalties by competitors.

AIATSL is present at 76 airports in the country and serves 46 airlines, including Air India and its subsidiary airlines.

It has a market share of 48% primarily due to assured business from Air India, as well as rights to operate at State-owned airports.

Other concerns

Uncertainty over Air India's future and whether the new buyer of AIATSL would have assured business from the airline and its subsidiaries as well as grand-father rights at airports enjoyed by it so far, are also among the concerns raised by potential bidders.

The delay in privatising AIATSL is a setback for the government which hopes to use the proceeds from the stake sale of different subsidiaries of Air India to partially pay off its debt of Rs.55,000 crore.

Bank of India reports Rs.252 crore profit as provisioning for bad loans declines

SPECIAL CORRESPONDENT
MUMBAI, MAY 16, 2019
THE HINDU

Gross NPAs fall consistently; lender's first earnings post PCA rollback

State-run lender Bank of India reported a net profit of Rs.252 crore for the quarter ended March 31, compared with a loss of Rs.3,969 crore during the same period of the previous year.

This, after provisioning for bad loans declined sharply to Rs.1,502 crore during the reporting period, from Rs.6,699 crore a year earlier. "Gross NPAs [have] declined consistently since September 2018," the bank said.

The Gross NPA ratio improved from 16.58% in March 2018 to 15.84% in March 2019. Net NPA ratio declined from 8.26% to 5.61%. Provision coverage ratio improved from 65.85% in March 2018 to 76.95% in March 2019.

These are the bank's first earnings announcement after restrictions under prompt corrective action were withdrawn by the RBI in January. Net interest income, the difference between interest earned and interest expanded, rose 57.72% to Rs.4,044 crore in Q4 FY19 on account of both a rise in the yield on advances and a drop in cost of deposits.

Net interest margin

As a result, the overall net interest margin increased from 1.65% to 2.93% in Q4 FY19, a rise of 128 basis points (bps). Net interest margin from domestic operations went up substantially from 1.92% to 3.38%, an increase of 146 bps. Non-interest income increased by 16.58% to Rs.1,603 crore in March 2019, supported by profit from sale of investments and recovery in written-off accounts.

Domestic loans grew by 11.8% on the back of an 18.14% growth in retail advances.

GDP numbers suggest high growth in medium term, says 15th Finance Commission

SPECIAL CORRESPONDENT **NEW DELHI, MAY 16, 2019**

THE HINDU

'Projections for indirect tax fluctuating, need to stabilise'

The 15th Finance Commission on Thursday said that India's GDP numbers suggest a continued high growth trend in the medium term even though they have fluctuated in the last few years.

The Commission and its Members made these observations during a meeting with senior officials in the Ministry of Finance, including Finance Secretary Subhash Chandra Garg, Revenue Secretary Ajay Bhushan Pandey, Expenditure Secretary Girish Chandra Murmu, Chief Economic Adviser Krishnamurthy Subramanian, Central Board of Direct Taxes Chairman P.C. Mody, and Central Board of Indirect Taxes and Customs Chairman P.K. Das.

“The Finance Commission held consultations with senior officials of the Ministry of Finance on the overall economic situation and key economic variables,” the Commission said in a statement.

“These discussions are credible to the ongoing work of the Commission to reach an appropriate conclusion on both the vertical and the horizontal devolution,” the statement added.

“The Commission observed that the GDP numbers have somewhat fluctuated within the overall global trend, which suggests continued high growth trend over the medium term,” the statement added.

“The Commission also made note of the revenue projections and said that although the direct tax collections and projections are healthy, the ones for indirect tax have been fluctuating and need to stabilise in a stronger position,” a senior official in the Finance Ministry told ***The Hindu*** following the meeting.

Rationalising schemes

“The Commission and the Ministry also spoke about the expenditure side and how to rationalise the Centrally-sponsored schemes,” the official added.

The 15th Finance Commission has been holding detailed discussions with the Finance Ministry over the last few months to discuss the consequences of the Seventh Pay Commission and the Ujwal Discom Assurance Yojana (UDAY) on financial positions of the States.

India delays levying retaliatory tariff on U.S. goods to June 16

REUTERS
NEW DELHI, MAY 14, 2019
THE HINDU

The new duties were to come into force from May 16

India delayed on Tuesday the implementation of higher tariffs on some goods imported from the United States to June 16, according to a government statement.

The new duties were to come into force from May 16.

Angered by Washington's refusal to exempt it from new steel and aluminum tariffs, New Delhi announced in June last year a plan to raise the import tax on U.S. products such as almonds, walnuts and apples.

But since then, New Delhi has repeatedly delayed the implementation of the new tariffs.

CBDT wants shell Cos 'revived' to collect pending taxes

KR Srivats/Richa Mishra New Delhi | May 17, 2019
THE HINDU BusinessLine

Looks to plug revenue hole, petitions NCLT

Income-tax authorities do not want to let go the revenue dues owed by shell companies that have been deregistered by the Ministry of Corporate Affairs (MCA). But the task is easier said than done, as it would mean the restoration of over 4,000 companies identified by the Central Board of Direct Taxes (CBDT).

The CBDT has been holding talks with the MCA over this.

A senior MCA official told ***BusinessLine***: "We have requested CBDT to file the restoration application with the National Company Law Tribunal (NCLT). MCA will support their stand."

Direct tax targets

CBDT's approach may appear bizarre, but it's not surprising, given the gaping hole in meeting this year's direct tax targets, say tax experts. By one estimate, the CBDT is short of revised estimates by Rs.80,000-Rs.1,00,000 crore.

CBDT has directed its field formations across the country to file applications with the NCLT for the restoration of shell companies.

"There are several (shell) companies with outstanding dues. Once they were deregistered, it became difficult for us to recover our dues.

"If there is no identity of the companies, whom do we chase to recover our dues from? So the applications are being filed for restoration," a CBDT spokesperson said.

No immediate solution

The recovery of dues will not happen overnight, the spokesperson was quick to add.

The NCLT has to agree to admit the application, and the deregistered companies have to be restored before the CBDT can look to lay its hands on the dues, the spokesperson added.

In September 2017, the MCA and CBDT had signed an MoU for data exchange in a bid to curb shell companies, money laundering and black money, and prevent the misuse of the corporate structure by shell companies.

Last December, Finance Minister Arun Jaitley, who also heads the MCA, had informed Parliament that while there is no definition of the term 'shell company', it normally refers to an entity without active business operations or significant assets, which in some cases is used for illegal purposes such as tax evasion, money laundering, obscuring ownership and ***benami*** properties.

Special Task Force

A Special Task Force set up by the Centre to look into shell companies had, inter alia, recommended the use of certain red-flag indicators to identify shell companies, he had said.

Around 2.26 lakh shell companies were struck off in the first drive pertaining to FY14 and FY15. Similarly, 1,00,150 companies were struck off till November 30, 2018, in the second drive pertaining to FY16 an FY17.

New Govt must bring in land, labour reforms for economic growth: NK Singh

Press Trust of India New Delhi | May 17, 2019

THE HINDU BusinessLine

Macro economic stability is vital for high growth trajectory, says finance panel chief

Expressing concern over muted private investments, the 15th Finance Commission Chairman NK Singh on Friday said in order to push economic growth, the new government should introduce reforms in areas such as land and labour.

He said fiscal rectitude is an important inter-gradient in sustaining long-term economic growth and is the core of long-term macro economic stability.

Macro economic stability is one of the things that will guide India's high growth trajectory, he said at an event organised by Assocham here.

On the reforms front, Singh said "one single thing that we could not reform was factors of production — labour, land and capital. We were unable to achieve success on reforming factors of production." Labour laws remain extremely complicated and there is need to bring reform by revisiting some of the issues like long-term contracts and dispute resolution, he said.

Besides, there is a need to visit the area of cost, procedure and processes of land acquisition, he said and added that the cost of capital remains high and needs to come down so that business become globally competitive.

"The fact that our economy is not competitive is ... connected with inability of successive governments to be able to take on this difficult challenge. In terms of wishlist for any new government it would be that in this first year in office will they look to this...it needs political will".

"That is why I think the sagacity of the Indian people to elect strong, stable government will be one of the important factors which will bring reform in some of the factors of production," he added. With regard to high debt-to-GDP ratio, he said, this ratio is misaligned with other peer group countries.

The effort of the government is to bring this down and both Centre and State governments are well on track to bring debt-GDP ratio to prescribed level, he added. He also said the Fiscal Responsibility and Budget Management (FRBM) Committee 2017, has suggested bringing down the debt-to-GDP ratio to 60 per cent by 2024-25. The FRBM committee, which was headed by Singh, also recommended that the States should bring down their debt-to-GDP ratio to 20 per cent by the same period.

Debt to GDP ratio

The Central government debt is estimated at 48.9 per cent as a percentage of GDP for 2018-19. It is expected that Central government liabilities will come down to 47.3 per cent of GDP this fiscal, as per Budget 2019-20.

The outstanding liabilities of the State governments stand at 23.4 per cent of Gross State Domestic Product (GSDP) at end-March 2017, with a range of 46.3 per cent in Punjab and 15.1 per cent in Chhattisgarh, as per an RBI study on State budgets.

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