AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

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Trade Unions' dissent against the corporatisation of the public sector grows stronger

Sabrangindia 9 Sep 2020

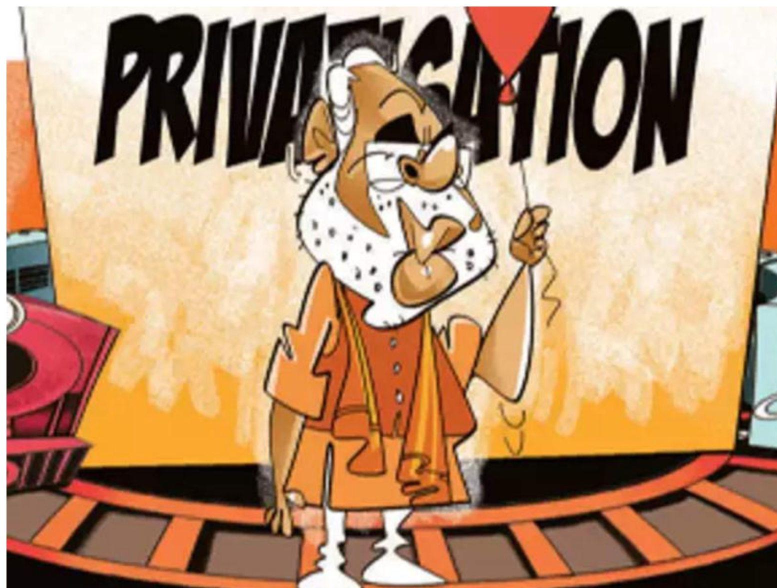

Image: Economic Times

The All India Trade Union Congress (AITUC) called for a nation-wide protest of all trade unions on September 28, 2020 against the Centre's decision to privatise the Public Sector Units (PSUs.)

General Secretary of AITUC Amarjeet Kaur called the government decision an "anti-national policy" that would lead to the suffrage of multiple public sectors.

She said the public sectors consist of Indians and to give these departments to the private corporates with low prices damages the country's economy. Within the public sector, the strategic and core sectors were built to avoid India's dependence on other countries. Privatisation could make the departments dependent on multinational corporations which threatens India's sovereignty.

The General Secretary argued that the public sector is a role model in addressing the employees' needs and grievances. It provides social security, maternity and health benefits – all of which the private sector fails to ensure. Thus, she said that corporatising these sectors would send the country's economy in a backward direction.

Illustrating her point with examples she talked about the consequences of privatising public transport sectors and energy sectors.

Public transport like railways serve as a relief to common people. By privatising railways, the corporates will privatise their own trains, not considering the interests of civilians.

Similarly, coal and electricity are vital elements for the progress of a nation. Schools, hospitals, small-scale industries are all dependent on electricity. However, privatising the distribution system of amenities like electricity would annul the welfare schemes that provided subsidies to the backward sections.

"The point is that employment will now be precarious, especially for the common person. This is no longer just about the employees," said Amarjeet Kaur.

Same as the AITUC, Unions such as the **All India Bank Employees' Association (AIBEA)** also intend to hold a public demonstration against the Centre's plan. The AIBEA announced September 14 as the **Anti Bank Privatisation Day** to protest the privatisation of government banks.

He said that privatisation of this department has time and again proved to be a bad idea because private banks tend to look out for themselves. Unlike foreign banks, Indian banks are more deposit-oriented. This will change once the ownership changes from the government to private companies.

"In banking, profits are related to risks. If the privatised banks try to make profits, they will attempt a huge risk and the casualty will be the people of this country," said Venkatchallam.

He emphasised that banks have a socio-economic meaning in India. Moreover, public banks ensure safe utilisation and protection of money and create job opportunities. Neither of these aspects are guaranteed in privatised banks, said Venkatchallam.

He also pointed out that government banks provide farm loans essential for rural development. Since such investments do not garner huge profits, the private sector is less likely to offer these loans.

He also questioned the idea that banks should be privatised for viability because 97 percent of the bad loans incurred by the government banks belong to private entities.

"Simply recover the bad loans to recover the public sector. But banks must be allowed to serve the public," he said.

On the other hand, economist and Chairperson of the Jawaharlal Nehru University's Centre for Informal Sector and Labour Studies Dr Santosh Mehrotra argued that the government may have no other way than to privatise the public sector. He said that privatisation cannot be viewed as a mere black and white issue. Instead, each sector listed in the government's PSU list needs to be considered individually. He gave the example of Air India that would be hard-pressed for a reason not to be privatised.

In case of banks, he pointed out that the Centre has been unable to solve the issue of Non-Performing Assets NPAs) to the extent that the Reserve Bank of India (RBI) has already begun planning for higher NPAs in the future.

"If government doesn't divest government banks then how will they compete with private banks," he asked.

Regarding the privatisation of the electricity distribution system, he pointed out that many parts in this sector had already been privatised. Additionally, the Electricity Boards had proved to be inefficient.

Referencing such incidents, he said that the discussion should focus on whether the individual department served as a burden to the current

economy. The first priority was to ensure the proper growth of the economy which the current government has failed to do. Thus, the collapse of job growth brought us to such a situation.

When asked about the protests by the employees in the public sector, Mehrotra said that the shedding of workers should be done in a humane manner but that the current economy had made the protests inevitable.

Economy needs the 'growth vaccine'

P Vinod Kumar/M Suresh Babu | September 08, 2020

THE HINDU BusinessLine

For this to happen, both the Government and RBI should shed their shibboleths by deploying more unconventional as well as new tools

Finally, there is some clarity about where the economy stands now and where it is headed to. At 23.9 per cent contraction during the April-June quarter of this fiscal, the Indian economy earned the unenviable sobriquet of 'one of the fastest shrinking larger economies in the world', shedding the tag of 'one of the fastest growing larger economies in the world' which it was touting until recently.

The estimates published by the NSO are bound to come under fire from several quarters for the insufficient data points, leading to inaccurate estimates; they nevertheless show how deep the viral infection runs into the economy.

If the Q1 GDP numbers are worrying, incoming data shows that the Covid-induced contraction in the economy may well spill over to the next few quarters as State governments are bound to announce more localised lockdowns in the wake of the fast spreading viral infection. In other words, India is now staring at the spectre of a prolonged recession — contraction in economic growth over three quarters — putting lives and livelihood of millions of people at risk.

Though this may sound alarmist, it mirrors the thinking of many realistic economists, cutting across a whole spectrum of economic and political thinking. By merely invoking the 'extraordinary situations' clause the Government cannot wash its hands off from the morass in which the economy is in now. In fact, there were ample warning signs about a structural slowdown in the economy for the Government to see and act. Arguably, the Covid-19 pandemic has just accelerated the economic contraction that in fact started a full fiscal year before.

That being debatable, the issue that needs urgent attention is how to cushion the deep dive in economic growth and kick-start the economy without any more procrastinations or delays. This is of paramount importance, as the fall in growth is much more broad-based than expected and the latest numbers point to the fallacy of 'Bharat' coming to the rescue of the economy as the so-called 'green shoots' are vanishing as the virus started engulfing the hitherto immune hinterlands.

The policy response should happen at three levels — political, fiscal as well as on the monetary front. To begin with, the Central Government, which enjoys huge political capital, should start building bridges with the opposition parties and State governments to evolve a consensus on policy reactions to avert an impending recession before it is too late.

Second, it only needs straightforward analysis to understand that unconventional tools are the need of the hour and such a change in thinking could help the Centre to shed its fiscal fundamentalist view and increase public expenditure, which seems to be the only way out from the contraction.

The RBI, on its part, should shed its tunnel view on inflation management and adopt a new framework to conduct monetary policy that supports growth, giving the Centre enough headroom for fiscal expansion going forward. Keeping a mere accommodative stance is no longer sufficient. The apex bank should expand its second mandate of banker to the Government by helping it raise resources from the markets — both

domestic and global — if not monetising the deficit which incidentally is in sync with the thinking of most central banks across the world.

The deployment of such unconventional tool-kits are important from many angles. First, the famed fable of the recent India growth story evolved around the singular theme of consumption. With pandemic leading to massive job losses and income destruction, the Government has to breathe new life into the core consumption unmindful of deficit numbers.

Research has unequivocally showed that in a shrinking economy accelerated public spending will revive the overall consumption with private consumption catching up with a lag.

Two, an investment-led growth may be an ideal scenario, but it may be risky to believe that such an episode will play out when the economic activity is collapsing since most industries are operating well below their installed capacity. Therefore, touting about a `V'-shaped recovery may be construed as nothing but bravado in these difficult times.

Third, a revival in private consumption is not in sight since households have cut back on their discretionary spending in the wake of income loss. Therefore, the Government is forced to find resources to maintain household consumption by rolling out direct and/or indirect income supporting measures.

It is indeed a truism that the Government is staring at a fiscal cliff with revenues diving to historical lows forcing it to cut back on even budgetary expenditure. But paring down government spending at this juncture may cost the economy dearly as it dries up the only robust source of expenditure that meaningfully translates into job creating and income generating measures.

If domestic resource crunch is the issue, then the Government can look beyond the borders to raise money by attracting foreign savings. It may be in order here to point out that the record run up in stocks in the past few months was fuelled by a massive inflow of foreign money into the markets. With the rupee remaining as one of the best-performing

currencies among the emerging markets and interest rates in developed nations ruling at near zero levels and expected to remain there for some time to come, India could attract this surplus global liquidity into the system with ease, provided economic growth picks up in the immediate term.

On the balance, it is clear that growth is the vaccine that the economy needs to prevent it from sinking into a deep-rooted recession. And this vaccine should not be limited to stimulus but should work as a steroid. However, for this to happen, both the Government and RBI should shed their shibboleths by deploying more unconventional as well as new tools. Else, it will be tantamount to disregard of duty to the people by a Government which still enjoys popular support.

Is interest waiver on moratorium fair?

Radhika Merwin | September 08, 2020

THE HINDU BusinessLine

It will be unfair on banks, which are already burdened by bad loans and poor earnings. Depositors' interest may also be at risk

When the RBI sought to provide a respite to borrowers by allowing lenders to offer a six-month moratorium on loan repayment, little did it expect that its move would boomerang and land it in a pickle, and even threaten the very financial stability of the banking system.

But as it stands the matter, which began with a plea seeking interest waiver on loan moratorium in March, has not only dragged on (remarkably) for the past six months, but now puts banks (already roiled by the bad loan menace and a flurry of scams), depositors (whose faith in banks hangs by the merest thread) and the regulator (struggling to restore the banking system) in a perilous situation.

All eyes are now on the Supreme Court's final decision. Should banks grant moratorium with interest waiver?

Or, at least waive interest on interest on the deferred EMIs during the moratorium period? Either outcome can have a severe impact on the banking sector.

Moratorium is not a waiver!

The arguments put forth for the interest waiver are explicable. The moratorium measure was intended to offer respite to borrowers. Yet, banks continuing to charge interest on such loans during the moratorium period, has increased the financial burden of borrowers — substantially higher interest over the tenure (now extended) of the loan. But isn't that how all moratoriums operate? Moratorium, by definition, is the temporary postponement of payment of interest/principal/instalments, and ***not*** a waiver of loan repayments.

Remember, even under the Centre's credit guarantee scheme, while there is a one-year moratorium on the principal, interest is payable during this period. Even in the case of the US Fed's Main Street Lending Programme to support small-and-medium sized businesses, while no principal is paid in the first or second year, the deferred interest is capitalised and added to the principal amount. In effect, there is no escaping interest payment under a moratorium!

Waiver can hit banks

Even if one were to argue that the pandemic has brought on extraordinary stress on individuals and companies, how is it the banks' remit to bear the burden on interest waiver? And, how does one ensure that depositors' interests are safeguarded while banks forego a major portion of their income?

Banks are in the business of lending and they rely heavily on large deposits. They repay deposits largely from the money returned by borrowers. With bad loans in many banks at over 14 per cent (up to a fourth in a few), if the interest on loans under moratorium were to be waived, it could gravely hurt depositors.

At the overall system level, while the proportion of the moratorium book declined significantly from 25-30 per cent initially to about 10-20 per cent

(according to banks’ June quarter results), the book is still sizeable. Total advances as of August stood at about Rs.102-lakh crore.

At an average rate of 20 per cent, loans under moratorium would be about Rs.20-lakh crore. At 10 per cent lending rate, the interest for six months on the moratorium book would add up to Rs.1.04-lakh crore. This is about one-fourth of banks’ net interest income (all listed banks in FY20), and one-tenth of banks’ net worth. A tidy sum to just forego! In fact, for some banks, given the higher proportion of loans under moratorium and higher yields on loans (12-14 per cent), the interest for six months works out to 40-50 per cent of the profit before tax (based on FY20 numbers).

Now, let us look at deposits. To fund the Rs.102-lakh crore loans, banks would ideally have about Rs.120-lakh crore of deposits (CRR at 3 per cent and SLR at 18 per cent). Let us assume that banks pay an average of 6 per cent interest on deposits — about Rs.7 lakh crore of interest outgo. If we assume 11-12 per cent NPA levels (that shrinks banks’ interest income) and entire waiver of interest on moratorium book, then banks’ interest income (on advances) would just about cover interest on deposits.

If a large portion of the moratorium book goes bad, then banks’ ability to pay depositors would debilitate further.

As it is, banks have been recognising interest income on loans under moratorium on accrual basis for the past six months, even as the interest on deposits has amounted to actual cash outflow.

Hence, there may already be an issue of cash flow mismatch for certain banks.

Interest on interest

What about letting go of just the interest on the interest accrued? This has been the other issue raised by the Supreme Court. If we look at system-level numbers, then waiving interest on interest may not appear too much of a blow to banks. It could probably have an impact of about Rs.3,000-4,000 crore at best to banks’ interest income.

But that would be too simplistic an argument. For starters, waiving interest on interest goes against the basic tenets of finance. A loan EMI comprises principal repayment and an interest component. Hence, EMI deferment should ideally result in the unpaid interest being added to the principal amount, and borrowers having to pay interest on this increased amount. This is the basis of the compounding principle. Would depositors be willing to let go of the accumulated interest (compound interest) during the moratorium period?

Also, while the overall system level impact may seem less onerous, for certain banks the burden could be more. This is because in a large ticket long tenure loan, for instance a home loan, the percentage of principal repaid in the initial years is relatively low and the interest burden is much higher. Hence, in such cases, wavier of interest on interest would pinch banks quite a bit. Then, of course, any waiver full or partial at this point in time would be morally wrong, for the simple reason that there are borrowers who have continued to pay their EMIs despite hardships. An across-the-board waiver would ruin the credit behaviour (just as in the case of agri loans).

Over to restructuring

Rather than undermine the commercial decisions of banks and force them to forego interest income — as such, interest on advances has declined for many banks in the past two years — it would be prudent to let banks use the RBI's one-time restructuring tool to aid harrowed borrowers.

Here again, banks should be allowed to formulate their own internal criteria and policies. Rise in delinquencies, muted credit growth and increase in provisions are a given, which have already put banks' earnings and capital at risk. If banks have to normalise quickly and aid the recovery in the economy through increased lending, they have to be commercially viable. Let us not rock an already rickety boat.

Rejig of Covid-hit loans: RBI sets 5 key norms for lenders based on Kamath panel recommendations

Our Bureau Mumbai | September 07, 2020

THE HINDU BusinessLine

The Reserve Bank of India has specified five key financial parameters that lenders must consider before finalising resolution plans (RP) for eligible borrowers in 26 sectors, ranging from auto to trading, to mitigate the impact of Covid-related stress.

The financial parameters relating to leverage, liquidity and debt serviceability are based on the recommendations of the Expert Committee, headed by former ICICI Bank chief KV Kamath, on a 'Resolution Framework for Covid-related stress'.

In August, the RBI had permitted one-time restructuring of corporate advances and personal loans amid concerns of a spike in bank NPAs due to the Covid-19 pandemic.

Besides auto and trading, the major sectors for which the parameters (ceilings or floors, as the case may be) have been prescribed include aviation, construction, consumer durables/FMCG, corporate retail outlets, gems and jewellery, hotel, restaurants, tourism, power, and real estate.

The five financial parameters are: Total Outside Liabilities (TOL)/Adjusted Tangible Net Worth (ATNW); Total Debt/EBITDA; Current Ratio; Debt Service Coverage Ratio (DSCR); and Average DSCR.

Under the RBI's framework, only borrowers classified as standard and with arrears of less than 30 days as on March 1, 2020 are eligible for resolution.

Other sectors

Where sector-specific thresholds have not been specified, lending institutions shall make their own internal assessments regarding TOL/ATNW; and Total Debt/EBITDA.

However, the current ratio and the DSCR in all cases shall be 1.0 and above, and ADSCR shall be 1.2 and above.

The central bank said lending institutions are free to consider other financial parameters as well while finalising the resolution plan apart from the mandatory five key ratios and the sector-specific thresholds prescribed.

Graded approach

Given the varying impact of the pandemic on sectors/entities, the RBI said the lending institutions may, at their discretion, adopt a graded approach depending on the severity of the impact on the borrowers, while preparing or implementing the resolution plan. Such an approach may also entail classification of the impact on the borrowers into mild, moderate or severe, as recommended by the Committee.

India Ratings has estimated that around 7.7 per cent (Rs.8.4-lakh crore) of the total bank credit as at end-March 2020 from corporate and non-corporate segments could get restructured under the Covid resolution framework.

‘Global economy to contract 4.4%, China to grow at 2.7%’

PRESS TRUST OF INDIA
NEW DELHI, SEPTEMBER 08, 2020
THE HINDU

Fitch sees ‘positive global spillovers’ from China’s recovery

Fitch Ratings on Tuesday projected global GDP to contract 4.4% in the current year, but revised upwards China’s growth estimate to 2.7% for 2020.

In its September update to the Global Economic Outlook (GEO), Fitch Ratings cut its 2020 GDP forecast for emerging markets, excluding China, to (-)5.7%, from (-)4.7% estimated in June, mainly on account of a huge downward revision to India GDP forecast for the financial year ending March 2021.

Fitch has slashed India's growth projection to (-)10.5% from (-)5% estimated earlier after official data released last week showed the April-June 2020 quarter GDP contracted by 23.9%.

'Limited fiscal support'

"India imposed one of the most stringent lockdowns worldwide in 2Q20 (April-June) and domestic demand fell massively. Limited fiscal support, fragilities in the financial system, and a continued rise in virus cases hamper a rapid normalisation in activity," Fitch said.

It projected the U.S. GDP to contract 4.6% in 2020, less than the 5.6% decline it had forecast in June.

Fitch revised China's GDP growth forecast to 2.7%, from 1.2% in June, following the stronger-than-expected April-June outturn and continuing recoveries in investment, housing and exports.

"It is important not to underestimate the positive global spillovers that will flow from China's recovery," the ratings agency said.

India Ratings revises country's GDP growth projection to negative 11.8%

PTI
MUMBAI, SEPTEMBER 08, 2020
THE HINDU

The agency, however, expects India's GDP to rebound and grow at 9.9% year-on-year in FY22 mainly due to the weak base of FY21

Domestic rating agency India Ratings and Research on Tuesday revised the country's FY21 GDP growth forecast to -11.8% from -5.3% earlier.

The agency, however, expects India’s gross domestic product (GDP) to rebound and grow at 9.9% year-on-year in FY22 mainly due to the weak base of FY21.

India Rating’s FY21 GDP growth forecast of -11.8% will be the lowest GDP growth in the Indian history (GDP data is available from FY-1951) and sixth instance of economic contraction, others being in FY-1958, FY-1966, FY-1967, FY-1973 and FY-1980, the rating agency said in a report.

The previous lowest was -5.2% in FY80, it said.

The agency said the -23.9 per cent growth in the first quarter of FY21 is the first contraction in quarterly GDP data series which has been made available in the public domain since the first quarter of FY98.

It estimates economic loss in FY21 to be Rs.18.44 lakh crore.

According to the agency, the retail and wholesale inflation is expected to come in at 5.1% and -1.7%, respectively, in FY21.

Coronavirus | Indian economy to contract 10.5%, says Fitch Ratings

PTI
NEW DELHI, SEPTEMBER 08, 2020
THE HINDU

In the first quarter of current fiscal, India’s GDP contracted by 23.9%

Fitch Ratings on Tuesday slashed India’s FY21 growth projection to -10.5%, from -5% estimated earlier, saying the continued spread of the virus and imposition of sporadic shutdowns across the country has disrupted economic activity.

In the first quarter of current fiscal, India’s gross domestic product (GDP) contracted by a massive 23.9%.

Fitch said India recorded one of the sharpest GDP contractions in the world in the April-June quarter, but noted that growth should rebound strongly in the July-September period amid re-opening of the economy.

However, there are signs that the recovery has been sluggish and uneven, it said.

In it's September update of the Global Economic Outlook (GEO), Fitch said, the deepest recessions were in India, the U.K. and Spain - countries that saw particularly large shocks in daily mobility data on visits to retail and recreation venues, and where lockdowns were stringent and long-lasting throughout 2020 (April-June).

It said multiple challenges are holding back growth recovery, both in the short and medium term.

"New cases of the coronavirus continue to increase, forcing some States and Union Territories to re-tighten restrictions... The continued spread of the virus and the imposition of sporadic shutdowns across the country depress sentiment and disrupt economic activity," Fitch said.

It further noted that the severe fall in activity has also damaged household and corporate incomes and balance sheets, amid limited fiscal support.

Also a looming deterioration in asset quality in the financial sector will hold back credit provision amid weak bank capital buffers.

Furthermore, high inflation has added strains to household income and supply-chain disruption and excise duties increases have caused prices to rise. It projected inflation to slow amid weak underlying demand, easing supply-chain disruption and a good monsoon.

"We have slashed our GDP forecast for this fiscal year to - 10.5%, a huge revision of - 5pp (percentage points) compared to the June GEO. We expect the shortfall of activity relative to our pre-virus forecast to be 16% by early 2022," Fitch said.

GDP growth is likely to be - 9.6% in July-September, - 4.8% in October-December and 4% in January-March quarter this fiscal, as per Fitch projections.

For the next fiscal, Fitch estimated Indian economy to grow 11%.

Separately, India Ratings and Research, the India arm of Fitch Ratings, on Tuesday revised India's GDP growth forecast to - 11.8%, from - 5.3% earlier.

Fitch said the pandemic has become more prevalent in emerging market countries excluding China as the year has progressed. Brazil, Russia and India now have some of the highest coronavirus caseloads in the world.

"India imposed one of the most stringent lockdowns worldwide in 2020 and domestic demand fell massively. Limited fiscal support, fragilities in the financial system, and a continued rise in virus cases hamper a rapid normalisation in activity.

"The double-digit growth rate we expect for 2021-2022 simply reflects the low base in 2020 — we do not expect GDP to return to pre-virus levels until 1Q22 (January-March. 2022)," Fitch said.

Supreme Court extends date for banks to recognise Covid-shock bad loans

Bloomberg | September 10, 2020

THE HINDU BusinessLine

Government gets two more weeks to provide relief; move delays clarity on NPAs

The Supreme Court on Thursday extended the relaxation of rules over the classification of non-performing loans until further notice, delaying the disclosure of how much bad debt banks actually hold.

The three-judge bench headed by Justice Ashok Bhushan on Thursday gave the government two weeks to come up with relief measures for virus-hit businesses and said such a decision had to be put before the

court for consideration. It also reiterated that banks must not classify as bad any loans that were performing at the end of August until further order.

The hearing comes after a group of borrowers petitioned to stop banks from collecting interest during the loan moratorium that ended in August. The central bank had allowed lenders to excuse cash-strapped borrowers from paying instalments until August 31 and lenders to collect interest for the period the repayment was due once the moratorium ended.

After the moratorium ended, it was replaced by a longer-term loan restructuring program for up to two years. The central bank also set strict eligibility criteria for borrowers who had been hit hard by the economic fallout of the pandemic.

A delay in recognising problem loans means that bad debt could fester for longer in a nation that contracted 23.9 per cent in the June quarter, the most among the world's largest economies. That will add to the pile of India's non-performing debt, which is already the highest among major markets globally.

While borrowers accounting for more than a third of the outstanding loans sought a repayment holiday when the program was announced in late March, many did not go for an extension to the moratorium in May after realising the higher costs. That meant that the percentage of borrowers opting for a second loan holiday dropped to 18 per cent in June, according to estimates by Jefferies Financial Group Inc.

ECLGS: Banks' cumulative sanctions touch 54% of 3-lakh crore target, says report

PTI Mumbai | September 10, 2020

THE HINDU BusinessLine

Banks have cumulatively disbursed close to Rs.1.15 lakh crore to 24.70 lakh MSME accounts under the Rs.3-lakh crore targeted emergency credit line guarantee (ECLGS) scheme announced by the government in June to

help small businesses survive the pandemic shocks, according to a CARE Ratings report.

The cumulative sanctions touched 54 per cent or Rs.1.61 lakh crore of the target of Rs.3 lakh crore as of September 3, as per data collated by the agency.

"As of September 3, banks have together sanctioned Rs.1,61,018 crore to 41.94 lakh accounts and disbursed Rs.1,13,713 crore to 24.70 lakh accounts under the scheme. The cumulative sanction is 54 per cent of the total target of Rs.3 lakh crore," the report said.

The average sanction and average disbursement per account is Rs.3.84 lakh and Rs.4.60 lakh, respectively.

The share of state-run banks sanctions and disbursements in total sanctions and disbursements stood at 48 per cent and 55 per cent, while private banks share stood at 52 per cent and 45 per cent, respectively as of September, it said.

While state-owned banks sanctioned Rs.78,067 crore and disbursed Rs.62,026 crore, private ones sanctioned Rs.82,950 crore and disbursed Rs.51,687 crore.

State-run banks sanctioned Rs.78,067 crore to 33.68 lakh accounts and disbursed Rs.62,026 crore to 21.28 lakh accounts, with an average sanction and average disbursement of Rs.2.32 lakh and Rs.2.91 lakh, respectively, the report said.

Private ones sanctioned Rs.82,950 crore to 8.25 lakh accounts and disbursed Rs.51,687 crore to 3.42 lakh accounts with the average sanction and average disbursement at Rs.10.05 lakh and Rs.15.10 lakh, respectively, it said.

State Bank of India leads with sanctions and disbursements of Rs.24,389 crore and Rs.18,972 crore, respectively.

Maharashtra and Tamil Nadu continue to get the maximum sanctions at Rs.8,064 crore and Rs.7,817 crore, respectively, and disbursements at Rs.6,708 crore and Rs.6,150 crore respectively, it said.

Voluntary retirement scheme not intended at cutting workforce, clarifies SBI

By Vikash Aiyappa | Monday, September 7, 2020,

New Delhi, Sep 07:

The State Bank of India (SBI) on Monday issued a clarification over reports that a VRS scheme has been launched to cut costs, saying the scheme was launched to help the employees in their career decisions and not as a measure to reduce workforce or cut costs.

Issuing a statement the bank said, there have been media reports about the 'On Tap VRS' scheme proposed to be introduced by SBI.

The reports have been interpreted as a cost-cutting measure and the bank's intent to reduce workforce.

"It was thought to provide a congenial solution to employees who expressed desire for making strategic shift in their vocations, either due to professional growth limitations, mobility issues, physical health conditions or family situations," said the bank in a statement.

SBI has been employee friendly and is expanding its operations and requires people, which is evidenced by the fact that the bank has plans of recruiting more than 14,000 employees this year, it said.

SBI has an existing workforce of around 2.50 lakh and has been in the forefront of serving employee needs and designing ways and means for engaging and assisting employees in their life journey.

"While our commitment towards our valued employees remains unshakable, we are deeply desirous of skilling the unemployed youth of the country, as is evidenced by the fact that we are the only bank in the country which has onboarded Apprentices under the National Apprenticeship Scheme of Govt of India," SBI said.

Earlier reports said, a draft scheme for VRS has been prepared by the SBI and board approval is awaited. The proposed scheme -- 'Second Innings

Tap VRS-2020' -- is aimed at optimising human resources and costs of the bank.

Besides, the draft scheme, seen by PTI, said it will provide an option and a respectable exit route to employees who have reached a level of saturation in their career, may not be at the peak of their performance, have some personal issue or want to pursue their professional or personal life outside the bank.

The scheme will be opened to all permanent officers and staff who have put in 25 years of service or have completed 55 years of age on the cut-off date.

The scheme will open on December 1 and will remain open till the end of February, it said, adding that applications for VRS will be accepted during this period only.

As per the proposed eligibility criteria, a total of 11,565 officers and 18,625 staff members will be eligible for the scheme.

The total net savings for the bank would be Rs 1,662.86 crore if 30 per cent of eligible employees opt for retirement under the scheme, as per estimates based on July 2020 salary, it said.

"The staff member whose request for retirement under VRS is accepted will be paid an ex-gratia amounting 50 per cent of salary for the residual period of service (up to the date of superannuation), subject to a maximum of 18 months' last drawn salary," it said.

Other benefits like gratuity, pension, provident and medical benefits will be given to employees seeking VRS.

A staff member retired under the scheme will be eligible for engagement or re-employment in the bank after a cooling-off period of two years from the date of retirement. Ahead of amalgamation of SBI's five associates with it in 2017, the merging subsidiaries had announced VRS for their employees.

In 2001 also the bank had announced VRS with the objective to optimise human resources.

SBI VRS scheme penny-wise and pound-foolish: AIBEA official

Over 30,000 middle aged employees of SBI to be affected by voluntary retirement scheme, Secretary of AIBEA feels it will add to unemployment problem

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General Secretary of the All India Bank Employees' Association (AIBEA) C. H. Venkatchallam on September 8,2020, heavily criticised the State Bank of India's (SBI) plan to remove 30,000 of its middle-aged employees under a voluntary retirement scheme. The SBI had recently proposed a 'Second Innings Tap Voluntary Retirement Scheme (VRS) under which those who have completed 25 years of work or completed 55 years of age will have an 'option' to make a respectable exit route along with gratuity benefits, pension, provident and medical benefits. As per PTI reports, the scheme will affect 30,190 employees and save the bank over Rs. 2 crores.

However, Venkatchellam said that the policy is in bad faith because it did not look into the interest of the employee that had spent many years of service at the bank. Regarding the government bank's argument that the scheme would help save money, he called it a 'penny wise pound foolish' approach.

"Employees of 55 years of age are currently among the productive people of society. Once these people are made to retire, they will become a liability to society. They will only be able to consume and not be a part of the production process," he said.

Incidentally, these retirements will add to the ever-growing unemployment rate of the country which has reached a little over 9 percent in urban areas – known to have more of such jobs – as shown by the Centre for Monitoring Indian Economy (CMIE) data of September 2020.

According to CEO of Centre for Monitoring Indian Economy Mahesh Vyas in his article '21 million jobs lost,' salaried jobs have taken the worst hit during the Covid-19 crisis. These jobs have the singular quality of not

growing with the country's economy but suffering the most during an economic meltdown. Tracking the so-to-say progress of salaried jobs, he pointed out that salaried jobs grew from 21.2 percent in 2016-17 to 21.3 percent in 2019-20 despite corresponding economic growth.

Out of the 86 million salaried jobs estimated during the beginning of 2019-20, nearly 21 million jobs were lost by the month of August with 3.3 million job losses in August and 4.8 million job losses in July. As a general rule, salaried jobs are preferred by the populace due to its job security and regular wage frequency.

As mentioned by Vyas in his other article 'Salaried job losses,' households with salaried jobs are better placed to build savings and improve their standard of living. Such households are also better placed to borrow and service their borrowing because of the steady nature of their earnings.

Yet, employment currently seems to be growing in the private sector i.e., employment by entrepreneurship. However, Vyas pointed out that entrepreneurship is generally seen as an attempt, taken up only when all other avenues of employment lead to a dead end. He said that entrepreneurship had declined at the beginning of the lockdown but increased exponentially by August 2020.

Moreover, previous month's CMIE reports show that while salaried jobs continue to suffer, informal jobs returned and even increased after the lockdown. Non-salaried employment has increased from 317.6 million last year to 325.6 million in July.

This means that by August, nearly 8 million jobs were taken up in the informal sector. Meanwhile, salaried jobs declined by 18.9 million or 22 percent during the lockdown.