# IBOA CONNECT

All India Indian Bank Officers' Association


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## *Threat to Financial Stability*

Dear Comrade,

The Reserve Bank of India had constituted an Internal Working Group (IWG) on June 12, 2020 to review extant ownership guidelines and corporate structure for Indian private sector banks. The Terms of Reference of the IWG inter alia included review of the eligibility criteria for individuals/ entities to apply for banking license;

The key recommendations of the IWG are as follows:

- The cap on promoters' stake in the long run (15 years) may be raised from the current level of 15 per cent to 26 per cent of the paid-up voting equity share capital of the bank.
- Large corporate/industrial houses may be allowed as promoters of banks only after necessary amendments to the Banking Regulation Act, 1949 (to prevent connected lending and exposures between the banks and other financial and non-financial group entities);
- Well run large Non-banking Financial Companies (NBFCs), with an asset size of Rs.50,000 crore and above, including those which are owned by a corporate house, may be considered for conversion into banks.

After this recommendations were released, many eminent economists including former RBI Governor Raghuram Rajan and former RBI Deputy Governor Viral Acharya termed the recommendations of allowing corporates into banking a "bombshell" and said this proposal is "best left on the shelf". Another economist T T Ram Mohan wrote that "as per the recommendations, Corporate houses with no interest in banking-related activities can come in. Secondly, those who own NBFCs can convert these into banks. For the first category, the report suggests that the banking Regulation Act be amended to give the RBI adequate powers to track and supervise inter-connected lending amongst corporates. For the second category, the report says that current record of NBFCs, "fit and proper' criteria for promoters etc be applied. The difference in treatment is baffling. If corporate houses that are new to banking are to be effectively monitored, so are corporate houses that own NBFCs. Amendments to the Banking Regulation Act should be a condition precedent for either category."

Further Inter connected lending is not easy to track and supervise. Connected lending has been happening for a long time and the RBI has been always behind the curve in spotting it . The recent episodes in ICICI Bank, YES Bank, DHFL etc. were all examples of connected lending. The so-called ever-greening of loans is often the starting point of such lending.

These recommendations are part and parcel of Government's agenda of complete Privatization of Banking Industry. Government's next move will be to invite corporate houses to acquire public sector banks and it will lead to privitization of public sectors banks. The Government is using the current situation of declining revenue owing to the pandemic-included lockdown as an excuse for selling public sector undertakings to finance the fiscal deficit. The wealth of the nation built up over long period in the form Public Sector Banks and other PSUs are being sold away to make easy money and achieve its agenda of complete privatization.

As we know of governance in the Indian Corporate world, any sale of public sector banks to corporate houses and allowing corporates to own bank would raise serious concerns about financial stability. Indian Banking sector needs reform but permitting corporate houses is not the solution.

Yours Comradely

**R Sekaran**
**Secretary General**

# PATERNITY LEAVE

**Context**: Indian Cricket Team Captain Virat Kohli asked for, and was granted, paternity leave in the middle of a competitive Test series against Australia.

Unlike maternity leave, there is no law governing leave for fathers in India.

**Do You Know?**

- The time-use survey report released last month by the National Sample Survey Office shows that Indian women spend nearly four hours more on unpaid work than men, with grim consequences for women's participation in the workforce.
- India remains among the 90 out of the 187 countries in the world that do not have national policies to ensure that new fathers get adequate paid time off with their babies.
- The Maternity Benefit (Amendment) Act, 2017 allows for pregnant women to take leave for a total of 26 weeks out of which up to 8 weeks can be claimed before delivery.
- The woman is also supposed to get paid a benefit at the rate of her daily wage for three months before she goes on maternity leave.

**What are the merits of providing Paternity Leave?**

- **To Promote Gender Equality**: Until men have equal opportunities to be caregivers, there will be an inevitable pressure on women to bear the bulk of responsibilities around the household.
- **To defeat Patriarchy:** There's a culture that perceives nurturing and parental duties as womanly. This toxic belief promotes the idea of women having to carry the sole responsibility of up-bringing, while the men go out and chase their professional goals.
- **Parenting Skills:** Just like maternity leave, paternity leave allows new-dads to take time off work and spend time with and around the new baby and mother. As a result, father's attach to their babies in ways similar to mothers. This helps fathers to develop the parenting skills and sense of responsibility that then allows them to be active co-parents rather than helpers to their female partners.
- **Changed family Set Up:** In today's world with nuclear families working couples don't have the luxury of large joint family setups. Therefore, the husband/father needs to get time off from work to take care of his wife and newborn child.
- **Work-life balance and good for Women's Careers:** Paid Paternity leave helps find a balance between work and life for moms and dads, and in turn, help moms advance in their careers and achieve their own successes
- **Helps Control Population:** A study in Spain, which now gives 12 weeks of paternity leave, had found that it has lowered the fertility rate.

- **International Trend:** In Britain, Sweden and Norway, parents are granted about a year of paid parental leave to tend to their newborns during that particularly crucial and difficult period.
- **The post-COVID reality** makes it even more urgent for workplaces to incentivise men to take more responsibility at home, if more women are not to drop off the work grid.

**Do Public Sector employees in India get Paternity Leave?**

- Public sector employees get 15-day paternity leave.
- The government made provisions for paternity leave for all public sector employees in 1999 through the Central Civil Services (Leave) Rule 551 (A).
- This allows any male central government employee (including trainees and probationers) with less than two children to avail a 15-day paternity leave either 15 days before or within six months from the date of delivery of child.
- This also extends to cases where a child has been adopted.
- Many companies have adopted the same model.

**How is Private Sector dealing with Paternity Leave?**

- Paternity leave is a rather new concept in the Indian corporate setup and most companies have started offering it in the last few years
- The private sector in India is free not to offer paternity leave, but many large organizations are formulating their own policies.
- **Equality as well as higher productivity** resulting from the security and contentment of a better work-life balance may be their aim.
- Tech giants Facebook, Deloitte and Microsoft offer their employees 17, 16 and 12 weeks of paternity leave respectively.
- There is no set time duration for paternity leave in corporate India. Most companies offer paternity leave between 5-15 days.

**Was there any effort made to pass law regarding Paternity Leave?**

- A Paternity Benefit Bill was introduced in the Lok Sabha by MP Rajeev Satav in 2017.
- The bill, which emphasises upon equal parental benefits for both parents, proposes that all workers, including those in the unorganised and private sector, can avail paternity leave of 15 days, extendable up to three months.
- However, the bill has not yet been passed by the Parliament.

**Judiciary on Paternity Leave**

- A 2009 judgment in the matter of ***Chander Mohan Jain v. N.K Bagrodia Public*** *School,* where a private school teacher approached the Delhi High Court to challenge the rejection of his paternity leave application and deductions from his salary for availing paternity leaves.

- The Delhi High Court held that "all male employees of unaided recognized private schools were entitled to paternity leave".
- The court directed the school to refund the money that was deducted from the teacher's salary.
- While this judgment may not have pioneered the need to have a paternity benefit act in place, it does go to show that there has been some traction in India to give men the opportunity to bond with their new born.

**What are the Challenges associated with Paternity leave?**

- Even though several companies have progressive policies, the **people executing them are still rigid.**
- Employees are forced to take **work from home** and not a long leave.
- In our social set-up, where men are still considered the "breadwinner", men may not be comfortable availing paternity leave.
- For many men, the worry that a six-month break may become a **career setback**, is quite real.
- The **absence of a law to support it**, unlike the maternity leave, contributes to the paternity leave needs not being taken seriously.
- The idea of legislating for paternity leave in the organised sector are viewed with suspicion as there are fears that Indian **men would turn it into a paid holiday**.

**Conclusion**

Paternity Leave is an important development in the context of gender discrimination at the workplace, but it will also have broader implications on the patriarchal mindset of Indian society.

# Retirements

| Sl.No. | NAME | DESIGNATION | BRANCH |
|---|---|---|---|
| 1 | Com. Vennila S | Deputy General Manager | Corporate Office |
| 2 | Com. Raja A | Chief Manager | Zonal Office Kumbakonam |
| 3 | Com. Syam Sunder Guduri | Senior Manager | Mallapuram - IDA |
| 4 | Com. Murugesan M | Senior Manager | Ranipet Indl. C |
| 5 | Com. Sridhaar B | Senior Manager | Harbour |
| 6 | Com. Kuttyil Thomas Chacko | Asst.Manager | King's Circle |
| 7 | Com. Suhas Digambar Shukla | Asst.Manager | New Alkapuri |
| 8 | Com. Parthiban E | Asst.Manager | Chengalpattu |
| 9 | Com. Veeramani R | Asst.Manager | Kumbakonam |

*AIIBOA Wishes the above Comrades*
*a Very Happy, Healthy and Peaceful Retired Life.*

# DILLI CHALO FARMERS PROTEST

**Context:** Farmers from Punjab, Haryana and other states are protesting at the gates of Delhi seeking repeal of the new farm laws.

**Brief Background of the protests**

- The new farm bills will enable, according to the government, many private markets to be established and middlemen to disappear. Thus, farmers would be free to sell to any buyer and farm gate prices would rise.
- But the protesting farmers do not accept these claims.
- They believe that farm gate prices would fall with the intensification of a corporate presence in agricultural markets. They also believe that the government, ultimately, wants to phase out the Minimum Support Price (MSP) system

Let us look at the major claims and their merits with focus on Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 (FPTC Act).

1. **Monopoly of Mandis over farmer produce**

- An important assumption behind the FPTC Act is that *mandis* controlled by Agricultural Produce Marketing Committees (APMC) are monopsonies in rural areas
- This assumption itself is specious.
- First, official data show that even for paddy and wheat, respectively, only 29% and 44% of the harvest is sold in a *mandi*, while 49% and 36% is sold to either a local private trader or an input dealer.
- There are only 6,630 mandis in 2019 with an average area served of 463 km square. The National Commission on Agriculture (NCA) had recommended 41,000 mandis serving 80 km square so that every Indian farmer should be able to reach a *mandi* in one hour by a cart. Thus, **India needs not less but more *mandis*.**
- Additionally, most small and marginal farmers, given their small marketable surplus, **do not find it economical to bear the transport costs** to take their harvests to *mandis*. Thus, they end up selling their harvest to a village trader even if at a lower price.
- In other words, *de facto*, a large proportion of Indian harvest is not directly sold in a *mandi* due to structural reasons – less mandis & high cost- and not due to exploitation by APMC Mandis
- Therefore, the argument that APMC mandis have monopoly over farmer's produce is wrong one.

2. **Presence of Private Players will improve market efficiency**

- De jure, the freedom to sell outside *mandis* already exists in many States.
- Already, 18 States have allowed the establishment of private markets outside the APMC; 19 States have allowed the direct purchase of agricultural produce from farmers; and 13 States have allowed the establishment of farmer's markets outside the APMC.
- Despite such legislative changes, **no significant private investment has flowed in to establish private markets** in these States.
- Private markets have emerged in some pockets for some crops, but these are by no means widespread.

- The reason for poor private investment in markets is the presence of high transaction costs in produce collection and aggregation (cost incurred in opening centres of collection, salaries, grading, storage etc)
- The more the number of small and marginal farmers are, the higher will these costs be. This is why many retail chains prefer purchasing bulk quantities of fruits and vegetables from *mandis* rather than directly from farmers.

**3. Taxes in mandis are wasteful**

- It is being argued by many that taxes in mandis as wasteful and thus the elimination of mandi tax (by new FPTC Act) will help farmers get better price.
- Even if private markets emerge, the size of transaction costs are likely to offset any decline in *mandi* taxes. As a result, there is no assurance that farmers would receive a higher price in private markets
- Mandi taxes are wasteful is not fully true. Much of the *mandi* taxes are reinvested by APMCs to improve market infrastructure and rural infrastructure.
- Such rural investments will also be adversely affected if *mandis* are weakened.

**What is the farmer's fear with regard to MSP?**

- The core demand of farmer groups protesting is to safeguard the mechanism of MSP which they fear will be weakened by new farm bills. They are demanding for a legal right to MSP
- Without doubt, MSPs would continue to survive on paper as the government will have to procure to maintain a minimum buffer stock. However, many policy signals point to a strategic design to weaken the MSPs
    - MSPs are rising at a far slower rate over the past five to six years than in the past
    - The government has not yet agreed to fix MSPs at 50% above the C2 cost of production leading to price loss of Rs.200 to Rs.500 per quintal in many crops
    - Recommendation of CACP to stop open-ended procurement of food grains
- In Punjab, Haryana and western Uttar Pradesh, most crop sales are at the MSP through procurement centres including the *mandis*.
- If *mandis* weaken and private markets do not sufficiently replace them, they fear that the void would be filled by unscrupulous and unregulated traders.

**What Steps needs to be taken?**

Discussions between the government and the farmers can be structured using a broad framework based on two focus points.

- First, India needs an increase in the density of *mandis*, expansion of investment in *mandi* infrastructure and a spread of the MSP system to more regions and crops.
- Second, we need not just more *mandis*, but also better *mandis*. APMCs need internal reform to ease the entry of new players, reduce trader collusion and link them up with national e-trading platforms
- The introduction of unified national licences for traders and a single point levy of market fees are also steps in the right direction.

**Conclusion**

The Farm Acts were legislative measures that were passed without elaborate discussion with stakeholders. Thus, government has to take steps to address he genuine fears of farmers.

# IMPORTANT CIRCULARS DURING THE MONTH OF NOVEMBER 2020

| Circular No. | Date of Issue | Subject |
|---|---|---|
| ADV-179 | 02 11 20 | Review of MCLR |
| ADV-180 | 02 11 20 | "IND-GECLS-COVID-19" for Micro` Small & Medium Enterprises (MSME)s / Other Business Enterprises and PMMY Borrowers - Extension of Validity of the Scheme " |
| ADV-181 | 03 11 20 | Introduction of new menu in CBS – Waiver of Legal Action (WLA) |
| ADV-182 | 03 11 20 | Lead Generation through Data Analytics under Retail Assets Portfolio |
| DEP-23 | 03 11 20 | Interest rate on Savings Bank Deposits |
| DEP-24 | 02 11 20 | Revision of Interest Rates on Domestic Term Deposits |
| GENL-25 | 03 11 20 | Introduction of Vigilance Inspection Portal (VIP) |
| ADMIN-74 | 04 11 20 | MONITORING OF SUNDRIES RECEIVABLE BGL |
| DEP-26 | 05 11 20 | "Special Campaign for revival of In-operative/ dormant CASA accounts. 'MISSION-Docile to Agile" " |
| ADV-184 | 05 11 20 | Amendment to Standard Terms and Conditions of Loan sanctions |
| ADMIN-750 | 4 11 20 | DUTIES AND RESPONSIBILITIES OF DEPUTY ZONAL MANAGER |
| CRA-37 | 06 11 20 | "Strategic Alliance with M/s. Finwizard Technology Pvt. Ltd. (FISDOM) for Offering Wealth Management services through Bank's Digital Platforms" |
| CRA-38 | 06 11 20 | "CLUB MEMBERSHIP"- BANCASSURANCE CAMPAIGN TILL 31.12.2020 |
| CRA-39 | 06 11 20 | Introduction of Small Merchant UPI QR Application Portal for Zones |
| ADV-185 | 10 11 20 | "LOAN APPLICATION TRACKER"" Module on Intranet Site for Large & Mid Corporate Credit proposals " |
| ADV-186 | 10 11 20 | "New Business Group (NBG) Module"" on Bank's Intranet Site For Large & Mid Corporate Credit Proposals" |
| ADV-187 | 11 11 20 | "CONTACTLESS BANKING PLATFORM FOR MSME LOANS "PSBLOANSIN 59MINUTES.COM" |
| ADV-188 | 12 11 20 | Extension of Validity of Credit Limits – Operational Review |
| HRDD-121 | 12 11 20 | Capacity Building of Employees |
| ADV-189 | 13 11 20 | Legal Scrutiny Report – Inclusion of Additional Clause – RERD Act` 2016. |
| ADMIN-77 | 13 11 20 | BCP Team at Zonal Office |
| ADV-190 | 16 11 20 | "IND-PMSVANidhi" (PM Street Vendors Atma Nirbhar Nidhi) Amendments in Features of Loan Product " |
| ADV-191 | 18 11 20 | Directions of Special Committee ( Monitoring of Large Value Frauds) |
| CRA-40 | 20 11 20 | "MAX HEALTH SUPER TOP-UP"" - Super Top Up Health Insurance Plan for Salary account Customers" |
| CRA-41 | 21 11 20 | "CREDIT LIFE INSURANCE FOR HOME LOAN & CLEAN LOAN CUSTOMERS WITH M/S ADITYA BIRLA SUNLIFE INSURANCE COMPANY LTD" |
| ADV-192 | 23 11 20 | Automation of Processing Charges for NFB Limits |
| ADMIN-80 | 24 11 20 | Learning Points emerged from the study of Fraud Cases |
| ADV-194 | 27 11 20 | REDUCTION IN RATE OF INTEREST ON HOME LOAN |
| ADV-195 | 27 11 20 | "IND-GECLS-COVID-19"" for Micro` Small & Medium Enterprises (MSME)s / Other Business Enterprises and PMMY Borrowers Extension of Validity of the Scheme & Modifications " |
| GENL-27 | 30 11 20 | "Extension of period for submission of Life Certificate by Central Government Pensioners till February 28` 2021 " |

***Non Inclusion of a circular does not reflect on its importance.***

*Our ED Shri. M.K. Bhattacharya is felicitated by our Assn on attaining superannuation.*

# Wedding Bells

Selvan **V Rajkumar, B.E.,**

Married to

Selvi **M Shalini, D.C.A.,**

(Daughter of Com. M Mohan, IC, Chennai)

At

Chennai on 20.11.20

Selvan **Thilak Chelliah, B.E.,**

(Son of Mr. Bharathi, General Manager, Indian Bank)

Married to

Selvi **R. Arthi, B.Sc., MCA (IT).,**

At

Tirunelveli Junction on 26.11.20

Selvi **B Nandini, B.Tech.,**

(Daughter of Com. S. Balan,
Asst Manager, Kandanvilai Branch)

Married to

Selvan **J Vasanthakumar, M.Tech.,**

At

Nagercoil on 26.11.20

*AIIBOA Wishes a Very Happy Married Life to the Newly Wedded Couple.*