IBA rejects bankers' demand for five-day work week

Sticks to 12% wage hike for bank staff

SOMESH JHA
New Delhi, 23 October

The Indian Banks' Association (IBA) has formally declined a request from employee unions to keep bank branches open for five days a week, while also expressing inability to hike wages by more than its proposal of 12 per cent.

It has not agreed to the suggestion following views of some "important stakeholders", according to a circular issued by the staff unions, under the umbrella of the United Forum of Bank Unions (UFBU).

The unions have to agree to the IBA's decision for it to be implemented.

The bank managements, represented by the IBA, have told the unions that a 12 per cent hike in wages will cost public sector banks (PSBs) more than ₹6,300 crore annually.

"The bank managements feel that this is not an opportune time to implement five-day working week at this stage as lenders and banks are working together towards financial inclusion," a PSB chief executive said, requesting anonymity.

The unions have been demanding a five-day work week since a long time. From September 2015, the IBA had agreed to allowing bank branches to remain shut on alternate Saturdays (the second and the fourth Saturday of every month).

"PSBs are serving rural and semi-urban areas and any move to reduce the working days may bring down the connect with customers, especially when direct benefit transfer schemes are being focused upon in a big way," the executive added.

The IBA has also proposed a performance-linked incentive scheme to be implemented for the first time for PSB staff

Sources said the Department of Financial Services, under the finance ministry, is in favour of keeping three Saturdays off in a month, but was awaiting a nod from Finance Minister Nirmala Sitharaman on the proposal. "This was discussed in a meeting held between Finance Secretary Rajiv Kumar and bank officers' union on September 23," a person who was a part of the meeting said.

Wage negotiation talks are going on between the IBA and the UFBU, which include discussion on pay hike, the number of working days and other issues related to salary restructuring and pension.

"There is a possibility to get five-day working week on two counts: one is the alternative channel utilised by customers, and the digital reach. This issue is of prime importance to us," said All India Bank Officers Association General Secretary S Nagarajan.

In the previous meeting held on October 18, the IBA stated that a 12 per cent hike in pay slip cost would result in an annual burden of ₹6,319 crore on all PSBs, including State Bank of India.

"They further stated that including the cost of superannuation benefits, the total cost would come up to ₹11,865 crore as of March 31, 2017, which is a substantial cost and hence unions should settle at this," a communique by the UFBU stated.

Department of Financial Services is in favour of keeping three Saturdays off in a month, but was awaiting FM's nod, say sources

The current wage revision is due from November 2017, after the terms of the previous bipartite wage settlement ended in October 2017. In the last wage revision in 2012, which was for the period between November 1, 2012, and October 31, 2017, bank employees got a 15 per cent wage hike.

"We have rejected a 12 per cent wage hike proposed by the IBA. We will settle for this if the IBA agrees to our other demands which include improvement in the family pension formula, merger of special allowance with basic pay, among others," said C H Venkatachalam, general secretary of the All India Bank Employees Association (AIBEA).

During the wage negotiation meetings, the IBA had initially proposed a 2 per cent hike in wages, which was subsequently proposed to be increased to 6 per cent, then 10 per cent and now 12 per cent.

The IBA has also proposed a performance-linked incentive scheme to be implemented for the first time for PSB employees.

The unions will submit their recommendations to the IBA on this proposal soon, Venkatachalam said.

Govt issues advisory to Indians going to Turkey

ANEESH PHADNIS
Mumbai, 23 October

The government has issued an advisory to Indian citizens to exercise utmost caution while visiting Turkey. The advisory was issued by the Indian Embassy in Ankara on Tuesday against the backdrop of strained India-Turkey relations and Turkey's offensive against Kurdish rebels in Syria.

"The Government of India has been receiving queries from Indian nationals on travelling to Turkey in view of the situation in the region. Although there have been no reports of untoward incident in the country so far involving Indian citizens, travellers are requested to exercise utmost caution while traveling to Turkey," the Embassy said in its advisory.

Turkey is an all-year-round destination and in recent years has seen growth in Indian tourist arrivals. Over 130,000 Indians visited the country between January and July, a year-on-year growth of 56 per cent. But the government's caution may dampen travel demand, say travel agents.

"The situation in Turkey is calm. But people are wary of the situation in the region. The advisory will impact demand," said Guldeep Singh Sahni, former president of Outbound Tour Operators Association of India.

"We expect customers to adopt a wait-and-watch strategy when it comes to travelling to Turkey," said Pradip Lulla, acting president of Travel Agents Federation of India.

India might move up in Ease of Doing Business ranking

INDIVJAL DHASMANA
New Delhi, 23 October

India is likely to see some improvement in the annual Ease of Doing Business report of the World Bank, to be issued on Thursday.

The country was 77th among 190 countries in the previous ranking, an improvement by 23 places compared to its position a year before. Thursday's improvement is unlikely to be as much and, hence, the country's rank might not reach the Narendra Modi government's target of 50th place.

India was 77th among 190 countries in the previous ranking

India had broken into the club of the first 100 such nations in the 2018 report, when it managed to jump 30 places. The 2019 report had named this as "one of the economies with the most notable improvement" for a third year in a row.

India was adjudged the fifth best performing nation in reforming the business environment that year. The country had improved its ranks in six of the 10 sub-categories used by the Bank to judge the business climate.

However, its ranking saw a decline in two more, on paying of taxes and resolving of insolvency. This was despite the fact that India had introduced the goods and services tax in 2017 and the Insolvency and Bankruptcy Code a year before.

Kolkata, Bengaluru to be included in the report

PRESS TRUST OF INDIA
New Delhi, 23 October

The World Bank will now include Kolkata and Bengaluru, besides Delhi and Mumbai, for preparing ease of doing business report to provide a holistic picture of business environment of the country, an official has said. "The country of the size of India was not properly represented by just two cities, and now with the inclusion of Kolkata and Bengaluru, Indian ranking in the World Bank's report will present a much better picture," the official said.

The report ranks 190 nations based on ten parameters, which includes ease of starting a business, construction permits, getting electricity, getting credit, paying taxes, trade across borders, enforcing contracts and resolving insolvency.

The official added that the exercise to include these two new cities has already been initiated and would be included in the World Bank's ranking in the years to come.

Ranking helps in improving parameters which are essential to attract both domestic and foreign investors.

HPCL, Power Grid now Maharatnas

PRESS TRUST OF INDIA
New Delhi, 23 October

The government on Wednesday accorded 'Maharatna' status to state-owned Hindustan Petroleum and Power Grid Corporation, thus giving them greater operational and financial autonomy.

Two separate orders to this effect were issued by the Department of Public Enterprises, under the Ministry of Heavy Industry and Public Enterprises.

The grant of Maharatna status to the PSUs will impart enhanced powers to their Boards to take financial decisions.

The Boards of Maharatna central public sector enterprises (CPSEs) can make equity investments to undertake financial joint ventures and wholly owned subsidiaries and undertake mergers and acquisitions in India and abroad, subject to a ceiling of 15 per cent of he net worth of the concerned CPSE, limited to ₹5,000 crore in one project.

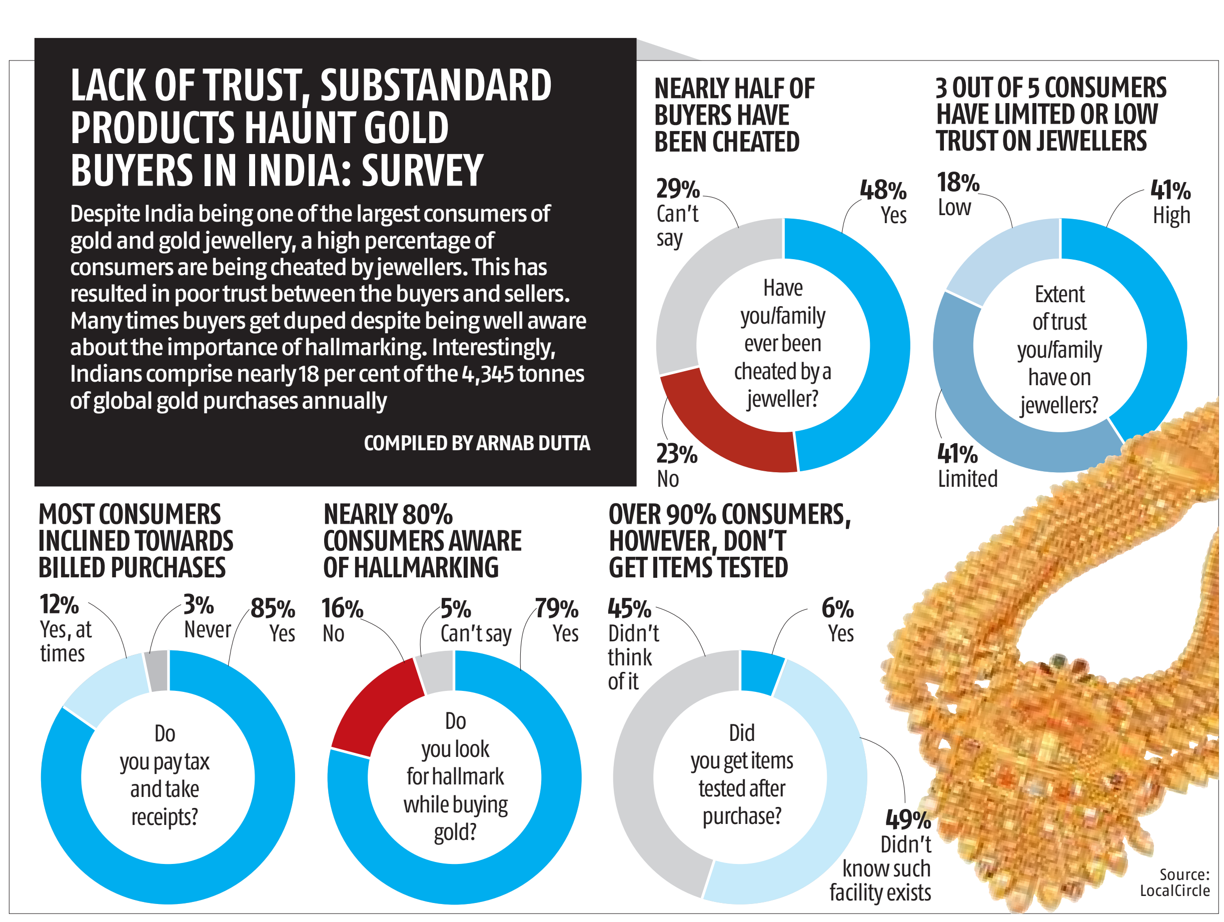
The grant of Maharatna status to the PSUs will impart enhanced powers to their Boards on financial decisions

The Boards can also structure and implement schemes relating to personnel and human resource management and training. They can also enter into technology joint ventures or other strategic alliances, among others.

The holding companies of a 'Maharatna' PSU are also empowered to transfer assets, float fresh equity and divest shareholding in subsidiaries, subject to the condition that the delegation will only be in respect of the subsidiaries set up by the holding company.

HPCL was incorporated in 1974 after the takeover and merger of erstwhile Esso Standard and Lube India through the Esso (Acquisition of Undertaking in India) Act passed by Parliament.

Power Grid Corporation of India is India's largest electric power transmission utility firm. It is a listed company since 2007.



SC to decide on AGR today

AASHISH ARYAN
New Delhi, 23 October

The Supreme Court is scheduled to pronounce its judgment in the contentious issue of the definition of Adjusted Gross Revenue (AGR) on Thursday. The fourteen-year-old case has telecom operators locked in a legal battle with the government over the definition of AGR.

It is the basis on which the Department of Telecom (DoT) calculates the levies payable by operators. Telcos pay 3-5 per cent and 8 per cent of the AGR as spectrum usage charge and licence fees, respectively, to the DoT.

The operators contend that AGR should comprise revenue earned only from telecom services, while the DoT has been insisting that AGR should include all revenue, including those from non-core operations. Airtel and Vodafone may have to collectively shell out ₹50,000 crore if the judgment does not come in their favour.

The Cellular Operators Association of India had, in 2005, filed the first case, challenging the government's definition on calculation of AGR. It had contended that the components of AGR, which the government was trying to include, were contrary to the Telegraph Act and the recommendations made by the Telecom Regulatory Authority of India (TRAI).

During a hearing in June, the DoT had told the apex court that telcos owed nearly ₹92,642 crore to the Centre.

Dividend, spectrum a drain on telcos' financials: Moody's

MEGHA MANCHANDA
New Delhi, 23 October

High capital spend, dividend, and spectrum have resulted in neutral or negative free cash flow for telecom companies in South East Asia, rating agency Moody's said in its report on Wednesday.

Moody's expects the trend to continue through 2021, and does not expect telecom firms to generate enough cash to pare debt and reduce their elevated leverage.

The rating agency said that the regulatory frameworks in countries where telecom operators pay higher dividend — Singapore, Malaysia and Indonesia — are generally stable and predictable. However, regulations in countries where the companies pay a higher price in spectrum auctions — India, Thailand, Bangladesh and Pakistan — are less predictable and often politicised.

"The high prices that telcos in this region pay during spectrum auctions regularly make headlines, but the recurring dividend they pay to governments gets less attention. Yet, our analysis finds that in some countries, dividend accounts for a greater share of revenue," said Nidhi Dhruv, Moody's vice-president and senior analyst.

While spectrum payment in government-run auctions is higher in absolute terms, dividend accounts for a larger percentage of aggregate revenue for telcos, on a relative basis, in several countries.

"Government-owned incumbent telcos in Singapore, Malaysia and Indonesia pay the highest dividend to their respective governments, while privately owned telcos in India, Thailand and Bangladesh pay more in spectrum auctions," said Dhruv.

Agents of foreign firms seek GST sop

INDIVJAL DHASMANA
New Delhi, 23 October

Agents providing various services to foreign companies are quoting the government's own Tax Research Unit's (TRU's) clarification in asking for exempting them from the 18 per cent goods and services tax (GST).

These providers, indenting agents in technical parlance, went to the Gujarat high court against the GST levied on them. On the reasoning that they provide services which are export in nature. While such agents located outside India are exempt from GST, those providing these services such as marketing or sales promotion, etc, through offices in India are taxed.

Agents cite govt body clarifications for their case

As the case continued, the TRU (of the Central Board of Indirect Taxes and Customs) said the tax should not be levied on these services. The clarifications were issued as office memoranda, regarding place of supply rules of intermediary services providers under GST.

These clarifications call for amending Section 13 (8) of the Integrated GST Act, which says the place of supply in cases where these services are offered will be the location of the supplier of services itself.

The clarifications say: "In the case of B2B (business to business) intermediary service, the place of supply where location of supplier or location of recipient of service is outside India is presently governed by section 13(8)...may be changed to location of the service recipient."

Abhishek Rastogi, who is arguing the case in the Gujarat HC and is partner at Khaitan and Co, said the place of provision for intermediary services makes these transactions taxable even when the recipient is outside India and payment is received in foreign exchange.

"These provisions create hardship for Indian service exporters. If they start operations from outside India, they can save on the 18 per cent GST," he said.

FROM PAGE 1

Early birds catch the tax cut worm

Most of the large companies in sectors worst affected by the slowdown such as automobile, capital goods, consumer durables, metals & mining, and infra are yet to declare their results.

The combined tax outgo for the September quarter is down 3.1 per cent y-o-y. As a result, the average effective rate of tax for the sample of 200 firms has declined to 22.9 per cent during Q2FY20, as against 28.5 per cent in the year-ago quarter.

In all, the tax cut has boosted post-tax earnings by around ₹3,900 crore, equivalent to 5.6 per cent of their pre-tax profit of the September 2019 quarter. The net savings for companies are lower at around ₹1,600 crore due to a sharp 177 per cent y-o-y jump in their deferred tax outgo.

Many firms, including Reliance Industries, Hindustan Unilever, and Tata Consultancy Services, have reported a sharp jump in deferred tax outgo, negating a part of the gains from the tax cut. Including deferred tax, the effective rate of tax during the quarter is down to 28.9 per cent against 31.1 per cent a year ago. "The corporate earnings so far have been on the predicted lines with gains from lower tax outgo and lower operating costs. The demand environment, however, continues to disappoint and all eyes are now on the second half of the current fiscal," says Dhananjay Sinha, chief strategist and economist, IDFC Securities.

The stress on top line is most visible in the non-financials space. The combined net sales (ex-banks & NBFCs) are up just 2.9 per cent y-o-y during Q2, a sharp deceleration from 34.2 per cent y-o-y growth a year ago and even the 14.9 per cent y-o-y growth reported for Q1FY20. "Ignoring the gains from the tax cut and lower operating costs which are one-off in nature, the stress continues for corporate India. Volume growth has been missing for most firms and top line growth is likely to remain under pressure as the economy faces a deflationary condition with whole price index (WPI) now close to zero," says G Chokkalingam, founder & MD, Equinomics Research & Advisory Services.

It was, however, a good quarter for retail-focused lenders with the combined net interest income for private sector banks and NBFCs in the sample up 23.7 per cent y-o-y during the quarter, while net profit is up 18.8 per cent. IT services exporters, however, reported a sharp deceleration in volume growth, with their combined net sales up just 6.6 per cent y-o-y during the Q2FY20 — the worst in the past six quarters. Net profit growth at 3.4 per cent y-o-y is also the lowest in the past six quarters. The industry has reported y-o-y contraction in margins as the share of salary and wages in total revenue has inched up due to lower volume growth.

Raters: Risk of contagion in financial sector rising

ABHIJIT LELE
Mumbai, 23 October

Indian financial sector is on the boil as the crisis engulfing non-banking financial companies (NBFCs) lingers, raising risks of contagion and capital shortage, according to rating agencies.

Global rating agency Standard & Poor's (S&P) said the risk of contagion is rising in the Indian financial sector, where credit markets are charging huge premiums for debt raised by riskier finance companies. The systemic crisis in financial sector may lead to capital shortfall, said another

The failure of a large finance company could have other consequences, such as draining of available credit to the sector. With the added risk of spreading to real estate companies. Finance companies are the largest lenders to this segment, S&P noted.

India's finance companies are among the country's largest borrowers and a substantial part of this funding comes from banks.

Meanwhile in a report, Fitch Ratings said Indian banks may face a capital shortfall of about $50 billion in the event of a systemic crisis in the NBFC sector.