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Editorial

REBUILD CONFIDENCE

These are extraordinarily difficult times for our nation and the world. People are gripped with the fear of disease and death from COVID-19. This fear is ubiquitous and transcends geography, religion and class. The inabilities of nations to control the spread of the novel coronavirus and the lack of a confirmed cure for the disease have exacerbated people's concerns. Such a heightened sense of anxiety among people can cause tremendous upheavals in the functioning of societies. Consequently, disruption of the normal social order will inevitably impact livelihoods and the larger economy.

The economic impact of COVID-19 has been much discussed. There is unanimity among economists/bankers that the global economy will experience one of its worst years in history. India is no exception and cannot buck the trend. While estimates vary, it is clear that, for the first time in many decades, India's economy will contract significantly.

Economic contraction is not merely a number for civil society to analyse and debate. It means a reversal of many years of progress. It is thus imperative to act with utmost urgency to nurse the economy back to good health. The slowdown in economic activity is both a function of external factors such as the lockdown and behavioural changes of the people and enterprises driven by fear. The foundation for reviving our economy is to inject confidence back in the entire ecosystem. People must feel confident about their lives and livelihood. Bankers must feel confident about providing capital and for its timely recycling back to the system.

This requires an immediate restoration of confidence in the financial system which acts as the vital lubricant for the economy. COVID-19 assistance measures undertaken by RBI and the Government such as interest rate reductions, credit guarantee and liquidity enhancement schemes are welcome steps. But their success depends on confidence of the bankers to lend. Reviving the health of the banking sector is not merely about capital infusion, privatization or unplanned consolidation. It requires that institutions such as RBI, Public Sector Banks, IBC Board, SEBI, IRDA and other Regulators are allowed to function freely and professionally. This is the foundational step to restoring confidence in the financial system. If there is confidence among people to spend and among bankers to lend then the private sector will spontaneously derive the confidence to reopen and invest.

Large direct cash assistance to people, improving capital adequacy of banks and providing credit guarantee scheme for corporates requires significant financial resource. Government finances are already stretched with a major shortfall in revenue. India cannot afford today too fiscally restraint in these distressing times. It is in this backdrop we have to enlarge our

diagnosis of India's economic woes from mere GDP numbers to underlying sentiments of fear, uncertainty and insecurity. A cleansing of the political system is imperative for removal of fear syndrome from the mind of the people. The Government should priorities it's functioning. It is also important that the confidence of the bankers should be restored by granting more autonomy. The paid news appearing in the media about the impending privatization of some Public Sector Banks have unsettled the entire system. Government decision to carry forward the process of consolidation even during the pandemic has a negative impact on the credit growth and functioning of the merged entity.

A major breakthrough has been made by AIBOC by forcing the IBA to agree on the completion of Wage Settlement in a time bound manner. There were certain areas in the MOU which need to be debated and may not be consistent with the very ideas behind the formation of the Confederation as dreamt by the founding leaders. But once the settlement is over, may be by September 2020. We have to re-introspect our role and responsibility in these challenging times. There are widespread speculations that the Bank's Balance Sheet will be saddled with increasing NPA threatening the very edifice of the system. Hence, we cannot be passive onlookers. History will not forgive us if we fail in our duty to rejuvenate our energy and organizational resistance power for successful intervention. Suggestions are floating that ownership does not matter, what matters is governance. But we can gently remind that the very governance of an institution intrinsically dependent on the philosophy behind running that organization. An organization with profit motive cannot be equated with an organization with social commitment.

Time has come to take side. Without being lured into complacency over our striking power, we have to align with the path to India's sustained economic revival through the philosophical pursuit of improving confidence and sentiments of all in our society by steadfastly adhering to the basic principle of our organization "DEFEND PUBLIC SECTOR BANKING, NATION FIRST ORGANISATION NEXT".■

Economy

RBI MONETARY POLICY

The Reserve Bank of India kept its powder dry in the third review of the monetary policy since the COVID-19 pandemic spread in the country, leaving key policy rates unchanged in the face of rising inflation pressures but asserted that propping up economic recovery has assumed "primacy" in the "worst peace-time health and economic crisis of the last 100 years".

The central bank didn't extend the moratorium on loan repayments offered to borrowers beyond August 31 but allowed banks to restructure loans from large corporates, micro, small and medium enterprises as well as individuals to help stem the rising stress on incomes and balance sheets.

Policy prescription

Some key policy decisions of the Reserve Bank of India

- **No extension** announced on loan moratorium beyond August 31
- Banks allowed to **restructure** stressed corporate and MSME loans
- Relief to **individual borrowers** at banks' discretion
- Borrowing limits against **gold** relaxed
- Tenure can be extended upto two years for **personal loans**
- **₹10,000 crore** support for NHB, NABARD
- **Start-ups** included in priority sector lending norms

While space for further monetary policy action is available, it is important to use it judiciously to maximise the beneficial effects for underlying economic activity

SHAKTIKANTA DAS, RBI Governor

IN THE SKY THERE IS NO DISTINCTION OF EAST AND WEST

These restructuring efforts may or may not include a moratorium on instalment repayments, the RBI said, leaving the decision to banks, with an eye on averting such loans from slipping into non-performing assets.

"A large number of firms that otherwise maintain a good track record under existing promoters face the challenge of their debt burden becoming disproportionate, relative to their cash flow generation abilities. This can potentially impact their long-term viability and pose significant financial stability risks if it becomes widespread," RBI Governor Shaktikanta Das said after a three-day meeting of the Monetary Policy Committee.

With incomes and jobs taking a hit across sectors, the RBI has allowed banks to restructure individual borrowers' loans by December 31, 2020, permitting a maximum extension of two years.

Limits for loans against gold were also enhanced.

India's GDP is set to contract in 2020-21, and inflation remains a bugbear, thanks to supply chain disruptions across sectors along with a sticky surge in food prices. Consumer confidence turned more pessimistic in July than previous surveys by the RBI, so demand is expected to remain anaemic, Mr. Das said.

"While space for further monetary policy action is available, it is important to use it judiciously to maximise the beneficial effects for underlying economic activity," he added.■

SBI ON ECONOMY

Bank's Ecowrap report expresses concern over rising Covid cases

With the Covid pandemic now spreading at a much faster rate in India, post the opening up of the economy, State Bank of India's Economic Research Department (ERD) has warned that the decline in full year real GDP growth is likely to be in double digits in FY21.

When India had first imposed lockdown, the ERD's GDP estimate for FY21 was 2.6 per cent. Later it was reduced to a negative 6.8 per cent in FY21.

Now, the situation has changed drastically and India has climbed to third position in overall Covid-19 cases in the world with more than 26 lakh total cases (12 per cent of world total), ERD said in its report "Ecowrap".

"The ugly part of Covid-19 on economic growth is that as per our estimates all the four quarters of FY21 will exhibit negative real GDP growth," said Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI.

The ERD assessed that Q1FY21 GDP growth will be significantly better, with the de-growth estimated at around 16.5 per cent as against previous estimate of a sharp decline at least in excess of 30 per cent.

"Specifically, de-growth in Corporate Gross Value Added (better than expected results of some financial and non-financial companies) has been significantly better than revenue de-growth in Q1FY21 as far as the results of the listed companies

are concerned. "In principle, revenue decline of listed companies has been far outstripped by cost rationalisation thereby not impacting margins," Ghosh said.

Per capita loss

ERD's State-wise analysis indicates that the top 10 States accounted for 73.8 per cent of total GSDP loss with Maharashtra contributing 14.2 per cent of total

THERE HAS TO BE EVIL SO THAT GOOD CAN PROVE ITS PURITY ABOVE IT

loss followed by Tamil Nadu (9.2 per cent) and Uttar Pradesh (8.2 per cent).

Subsequently, the per capita loss for all India is around ?27,000 with States such as Tamil Nadu, Gujarat, Telangana, Delhi, Haryana, Goa, etc. exhibiting loss of more than ?40,000 per person in FY21.

"All these numbers do foretell that our earlier GDP estimate at -6.8 per cent has already been significantly overshot in FY21," Ghosh said. The report said over the months of July and August the virus has now significantly penetrated the rural areas.

The percentage of cases in rural districts to total new cases has risen to 54 per cent in August. Also, the number of rural districts with less than 10 cases have reduced significantly.

Andhra Pradesh and Maharashtra have been impacted more severely with increasing penetration in rural areas.

Based on adjustments, as per ERD's SBI Computed Covid CPI, the actual headline inflation is much higher than the imputed inflation. Its report emphasised that this has already been substantiated by NSO CPI data revisions in June, and its own estimates show that July CPI could be higher than 7.5 per cent, instead of 6.9 per cent computed.

"The bottom line of such is that a negative GDP and a jump in inflation are only pushing back real consumption and hopes of recovery are fading," Ghosh said.■

SHARED VIEW

We are sharing an important observations by Shri Subhash Garg former Finance Secretary on the background of difference between RBI and GOI about the macro management of the economy.

FEBRUARY 2018 CIRCULAR CREATED RIFT BETWEEN FINANCE MINISTRY AND RBI, SAYS SUBHASH GARG

Synopsis The circular tightened norms on recognition of stressed assets, scrapped other restructuring schemes and said bad loans would only be resolved under the IBC. Section 7, which had not been used before, allows the government to give directions to the RBI in matters of public interest.

Former Finance Secretary Subhash Garg said the February 2018 circular issued by the Reserve Bank of India seeking to tighten the Insolvency and Bankruptcy Code (IBC) was the cause for differences between the two sides. Former RBI Governor Urjit Patel's recent book has suggested that the central bank's bid to plug the loopholes in the IBC and tighten the screws on corporate borrowers led to his premature departure in 2018. The government wanted the circular reviewed, Garg said in an interview to ET, adding that it had been issued without any consultation. The then finance minister had tried to discuss the matter with the central bank, he said. "Mr Arun Jaitley — you can't find a person better than him for initiating a constructive dialogue — tried to make that dialogue happen," Garg said. "Unfortunately, when this did not take place, the government had to invoke something where the consultation can take place," he said, referring to the invocation of Section 7 of the RBI Act.

Shri Urjit Patel in his recent book observed that the RBI and the finance ministry had been in harmony until the February 2018 circular of RBI was issued. Until then, for the most part, the finance minister and I were on the same page, with frequent conversations on enhancing the landmark legislation's operational efficiency." "This was a prominent, major issue, you can say," he said. "This is where it started." The circular tightened norms on recognition of stressed assets, scrapped other restructuring schemes and said bad loans would only be resolved under the IBC. Section 7, which had not been used before, allows the government to give directions to the RBI in matters of public interest. He dismissed former deputy governor Viral Acharya's contention, in his own new

book, that Patel quit prematurely as RBI governor because of attempts to undermine the institution's autonomy. "That is the view, perhaps, of Viral Acharya. Governor Urjit Patel never said so," Garg said. "He doesn't say this in his book as well. And, therefore, let us not take that as the truth." Garg was economic affairs secretary when the events leading up to Patel's resignation unfolded. Patel quit in December 2018, citing personal reasons. The government had taken the lead in discussions with the RBI on nonperforming assets (NPAs), Garg said. "The government and the Reserve Bank together decided that now you have to catch the bull by the horns," he said, adding that both sides had been united in this `aboring. "IBC was brought in and it succeeded quite a lot initially. The Banking Regulation Act was amended and the RBI was given very comprehensive powers."

Garg said he took issue with Patel's suggestion in the book that the government began having second thoughts when power companies came up for resolution. "That is the point where I somehow disagreed with him as to what he describes and what the situation truly was," Garg said. The government made its best efforts with regard to resolving power company debt, Garg said, adding that a committee under the cabinet secretary was constituted to bring the states on board. "Unfortunately, the RBI did not join that committee despite being a member of several committees of the government. That is where perceptions differed and started bringing that divergence," he said. When the RBI didn't appear to appreciate the concerns of the industry and government, the companies went to court. Section 7 had to be invoked as the government perceived the RBI to be intractable in discussing matters of import.■

SHARED ARTICLE

AN INVISIBLE HUMANITARIAN CRISIS IN INDIA

The state and the rich and middle classes remain indifferent as millions slip into chronic hunger and intense poverty

India's aboring poor have largely disappeared even from the inner pages of newspapers and from television screens. It is as though, after the country has gradually unlocked and most migrants have returned home, the wrenching distress of mass hunger and sudden unemployment that racked their lives has somehow passed. The reality is entirely the reverse. The devastating impact of the unprecedented closure of the entire economy, which was already in recession, will endure for a long time. However, the immense suffering of the poor has been rendered invisible by the collective indifference of the state and the rich and middle classes.

Slipping deeper into want

On the banks of the Yamuna, adjacent to the largest cremation ground in Delhi, is an embankment called **Yamuna Pushta,** home to 4,000 homeless men. In normal times, they survived by doing casual wage work, mostly in eateries or construction. Work was uncertain and always underpaid; still they managed to keep raw hunger at bay by eating food provided by religious food charities in gurdwaras, temples and dargahs. I met them recently. Their destitution and desperation were palpable. There is still no work, and shrines have still not adequately revived their food charities. The Delhi government has mostly ended its free cooked food distribution programme. At the peak of the programme, about 10 lakh people were being fed in over 1,000 centres. I was critical then of the indignity of forcing people to line up for hours each day for a ladle of food. But although it could have been organised with more compassion and respect, that was still a crucial public lifeline for people thrust suddenly into mass hunger. With that lifeline snapped, there is nothing except for some small private charities to shield them from the blistering winds of hunger.

Lockdown protects the well-off, but what about those who face hunger, homelessness or poor health?

YOU WILL NOT BE PUNISHED FOR YOUR ANGER, YOU WILL BE PUNISHED BY YOUR ANGER

My comrades, including those working with homeless people in other cities, activists of the right to food campaign countrywide, and volunteers for food relief of the **Karwan-e-Mohabbat,** all report conditions of even more worrying precarity and deprivation from around the country. There are communities in the countryside — in forests, deserts, hills, river islands and Dalit ghettos — who even in normal times survived on the edge of hunger. They used to depend on remittances from migrants for their survival; today they have to feed the migrants who returned. Casual daily wage workers, weavers, artisans, home-based workers, rickshaw-pullers and street vendors have always lived precarious lives too. But they have slipped much deeper into want. And there are millions of new entrants into the ranks of the hungry, including laid-off employees of small enterprises and eateries, domestic workers, sex workers, workers in the gig economy, and even teachers in low-income private schools and those taking private tuitions.

All of these workers, and tens of millions more, are bracing themselves for the ways that the dispossessed have learnt, from time immemorial, and that are hardwired into their DNA, to live with chronic hunger. The first is to eliminate nutritious but unaffordable portions of one's diet, including dal, milk, vegetables, fruit, eggs and meat. Many families report that they are eating only coarse rice and roti with salt. The next step is to reduce food intake, cutting down on both the quantity eaten during each meal and the number of meals, teaching one's body to endure with less and less. As households slide further down this steep slope, there are increasing numbers of nights when they have to sleep hungry. Children who could earlier depend on the school or preschool centre for at least one nutritious meal are now being sent out to work, including scrabbling through waste for anything which can be eaten or sold.

Public policy failures

A number of global reports warn that hundreds of millions of people are being thrust into extreme poverty and hunger because of the economic impacts of the lockdown and the raging pandemic. A United Nations University paper **(Precarity and the pandemic, June 2020)** estimates that 400 million new workers are at risk of slipping into extreme poverty, of less than $1.90 a day. What is even more worrying is that "the location of global poverty is likely to shift towards middle-income countries and South Asia and East Asia." The impact could intensify because of "pre-existing conditions of fragmented or insufficient social protection systems" and could last for "years to come". The UN Special Rapporteur on extreme poverty and human rights, Philip Alston, similarly estimated in a study published in early July that more than 250 million people are at risk of acute hunger. This impact, he believes, "will be long-lasting". He is critical of governments which "rather than acknowledging how badly the efforts to 'end poverty' have been faring, and how relentlessly the pandemic has exposed that fact… are doubling down on existing approaches that are clearly failing". His angst about public policy failures to deal with the scale and depth of the humanitarian crisis is entirely justified. First, at senior levels of the Indian government, there is little acknowledgement of the depth of the crisis of hunger and the annihilation of livelihoods. To revive the economy and, in particular, MSMEs — the sector employing the most people outside agriculture — the Finance Minister relies mostly on credit rather than on fiscal transfers, unmindful that when both demand and production have crashed, credit will have few takers and can accomplish little.

Fight against hunger disrupted by coronavirus-induced recession

Second, governments also sought to revive the broken economy by excluding workers from regimes of labour rights protections, ostensibly for attracting capital investment. Instead of atoning for the immense distress of unprotected workers and mitigating future suffering by building sturdy legal walls for their protections, many State governments used the pandemic to further weaken the scant protections which the law currently provides informal workers. Some governments

THE FOOL WHO KNOWS HE IS A FOOL IS MUCH WISER THAN THE FOOL WHO THINKS HE IS WISE

attempted to extend the workday to 12 hours, to suspend the protections of various labour laws for three years, and regulate the movement of workers across State borders.

Abandoned by the state

Even prior to the pandemic, India slipped to the 102nd position in the Global Hunger Report of 2019 that ranked 117 countries. It had fallen behind its neighbours Nepal, Pakistan and Bangladesh. The economy was also stuttering, with unemployment at a 45-year high. In the midst of this smouldering crisis, the most stringent lockdown in the world was imposed, nearly halting both demand and supply overnight. As the COVID-19 infection spreads to States with the most broken public health systems, such as Bihar and Uttar Pradesh, and with the homeless and the poor being excluded from highly rivatized health facilities in cities, the problems of the poor will further exacerbate. As the virus ravages bodies enfeebled by hunger and distress, they remain abandoned by the state, with no reliable access to care.

Global hunger could double due to COVID-19 blow, says UN

Through all of this, the political establishment, the media and the middle class remain culpably indifferent, preoccupied instead with buying legislators and toppling governments; purchasing military aircraft; jailing dissenters; and divisive agendas like the triumphalist construction of a Ram temple at the site of a demolished medieval mosque. With millions slipping invisibly into chronic hunger and intense poverty, India is hurtling silently into its gravest humanitarian crisis in over half a century.■

PENSION ENROLMENT IN UNORGANIZED SECTOR PLUNGES AS INCOME DRIES UP

July registration figures dipped to an all-time low of 12,500 amid job and income loss due to pandemic

The number of informal sector workers who sought to register for a contributory social security scheme dropped to an all-time low of just 12,500 in July. The decline came as unorganized sector workers continued to struggle to earn a living because of job loss and income loss following the coronavirus outbreak.

The July registrations are far below the monthly average of more than 100,000 workers who opted to register with the Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM), a pension scheme, in the previous fiscal year.

The July figures are at the lowest since at least April 2019, for which monthly data is available and is believed to be the lowest since the scheme was unveiled in February 2019.

The July numbers are almost a 10th of what was recorded in March and less than 7% of what was recorded in February, according to labour ministry data reviewed by Mint.

The contributory pension scheme, billed as a key social security measure, caters to unorganized sector workers in the 18-40 age group and earning less than ?15,000 per month.

Under the scheme, a worker pays a monthly contribution between Rs.55 and Rs.200 and a matching contribution is offered by the government.

The government has promised a Rs.3,000 monthly pension once they complete 60 years.

EVERY HUMAN BEING IS THE AUTHOR OF HIS OWN HEALTH OR DISEASE

Fresh enrolment has been considerably low since India went into lockdown in end-March, according to official data. The cumulative number registered in the last four-and-a-half months is not even 50% of the new registrations in February alone or 20% of the new registrations in October 2019, the best month since April 2019.

In February, the fresh pension registration was little above 189,000, while in October it was over 500,000. In contrast fresh enrolments were 17,000 in April, 19,000 in May, 13,900 in June and 12,560 in July.

This indicates the hardship the lower rung of the labour market is facing, said economists. Reverse migration, fear of the pandemic, and a desire to take care of the present rather than save for future in the face of uncertainties are among the reasons for the fall in the pension enrolment under the Shram Yogi Maan-dhan scheme, they said.

"Since end-March we have seen a huge displacement of informal sector workers in urban centres. Hundreds of thousands went to their villages, while those who stayed back in the big cities were struggling to make ends meet because of income loss and job loss. It was a fight between surviving and thinking for a paltry post-retirement benefit for a group of people whose earnings and cities of living are not fixed," said Arup Mitra, professor of economics at the Institute of Economic Growth in New Delhi. Mitra said other than the pandemic and its impact on their incomes, the registration problems during lockdown, and lack of a handy address and identity proof may also have contributed to the situation.■

LET US RECONSIDER THE WAY THAT ECONOMIC WELFARE IS MEASURED

Let's go beyond calculations of gross national output to take into account concerns of inclusive growth and climate impact

Separated by a dozen years, the global financial crisis (GFC) of 2008 and the pandemic of 2020 have had a stereophonic economic impact on the world. Livelihoods, savings and discretionary spending have been threatened, reduced and lost. The impact on the real incomes of households around the world vary, dependent in part on governmental responses by way of relief and (livelihood) recovery. Inequality has inexorably risen in almost all countries.

The world is juggling these two crises amid the longer-term challenge of climate change. Already, in just the first half of 2020, we have seen climate change wreak havoc through hurricane Amphan in West Bengal, the hottest summer in six decades in the UK, a locust attack in Pakistan, and a longer season of wildfires in the western United States.

Let me begin with a confession. I come from a Hayekian persuasion in neo-classical economics. It is in the spirit of exploration and learning that I invite you to heterodox ideas in my columns. Since the mid 1940s, the preferred indicator for global prosperity has been growth in gross domestic product (GDP) and its close cousin GDP per capita. Noble laureate Simon Kuznets proposed the modern revival of GDP as a measure of the market value of all final goods and services produced during a specific time period. Kuznets presciently pointed out that "with quantitative measurements especially, the definiteness of the result suggests, often misleadingly, a precision and simplicity in the outlines of the object measured". Even though Kuznets was careful to point out its limitations, it was adopted as the benchmark of growth and welfare at the Bretton Woods conference of 1944, and has remained so ever since.

In a world rendered even more unequal by the pandemic and one where extreme weather events threaten to make it worse, a new language of "prosperity" and "welfare" will have to be explored. Many alternate approaches have been proposed to measure "welfare" beyond mere "growth". The idea

THREE THINGS CANNOT BE LONG HIDDEN: THE SUN, THE MOON AND THE TRUTH

of gross national happiness (GNH) has remained a smart marketing slogan for Bhutan, even though it embeds interesting ideas of harmony with nature and other such "domains" of happiness. Some economists have asked the question whether "de-growth" may be a preferred state if it can lead to greater welfare.

One promising conceptual approach has been the "doughnut" theory of economic welfare proposed by Oxford economist Kate Raworth. In Raworth's framework, the destination of economic welfare is reached when the goals of seven economic foundations are met without overshooting nine environmental ceilings. The inner ring of the doughnut represents the minimum social foundations to be met, and the outer ring of the doughnut represents a boundary or ceiling on environmental impact. The idea is to leave no one behind in the "hole" of the doughnut. The social foundations that Raworth postulates are Maslowian ideals like food, clothing and shelter, combined with democratic ones like social equity, political voice, peace and justice. Environmental ceilings, in turn, refer to things like ocean acidification, climate change and biodiversity loss. Metaphorically, you might think of it as driving with a speed limit, both to reduce risk and optimize fuel usage.

Governments have been attempting to incorporate these elements in their policy goals. The idea of "inclusive growth" is an attempt to focus on social foundations at the same time as increasing the growth of GDP. A sectoral policy of emphasis or subsidy for solar power, for example, is an attempt to balance a country's energy sources with more environmentally favourable alternatives. However, the lesson from accelerating climate change and the pandemic is that this is not "far enough, fast enough".

In 2009, Tim Jackson wrote a pioneering report on Prosperity without Growth for the UK Sustainable Development Commission. Jackson says that "the conventional response to the dilemma of growth is to call for 'decoupling': continued economic growth with continually declining material throughput". While the global economy has achieved this to a degree, the decoupling refers to a situation where resource impacts decline relative to GDP in growth terms (that is, they grow slower). This is the case, for instance, with declining crude oil usage growth as a function of GDP growth. Jackson adds that "physical and mental health matter. Educational and democratic entitlements count. Trust, security and a sense of community are vital to social wellbeing". As we know from the pandemic, people suffer physically and mentally when these things are absent. Society itself is threatened when they decline.

The very word prosperity is made up of "pro" in Latin, meaning going well for us, and "speres", in accordance with our expectations. A time of widespread pestilence reminds us that future notions of prosperity and welfare will need to embed inclusivity, equality and sustainability. Materialism, wanton consumption and untempered resource usage may have to be consigned to the rejection pile of history. Notwithstanding the simplicity of the GDP measure, we will have to add nuance to it in order to more accurately measure the welfare of individuals and communities.

P.S: "The welfare of a nation can scarcely be inferred from a measurement of national income as defined by the GDP," said Simon Kuznets.■

CIRCULARS

58 dated 3rd August, 2020: Text of Letter written by 4 Officer's Organisations, i.e., AIBOC, AIBOA, INBOC and NOBO dated 03.08.2020 addressed to The Secretary, DFS, Ministry of India, on introduction of 5 day working week in banks■

DO NOT DWELL ON THE PAST OR FUTURE.CONCENTRATE ON THE PRESENT MOMENT

JUDICIAL VERDICT

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION
CIVIL APPEAL NOS. 66¬67 OF 2020
(Arising out of S.L.P. (Civil) Nos. 36477¬36478 of 2017)

CANARA BANK AND ORS. ... APPELLANTS
VERSUS
KAMESHWAR SINGH ... RESPONDENT

A. Enquiry – When legal – Initiated by Disciplinary Authority, lower in rank to the rank of delinquent employee – order of punishment passed by Officer of higher rank than that of Disciplinary Authority as well as that of delinquent employee is legal.

B. Punishment order – illegal – if passed by disciplinary Authority, lower in rank to the rank of delinquent employee.

C. Disciplinary Authority – Exercise of Power – Authority higher than Disciplinary authority may pass an order of punishment in disciplinary proceedings.

IMPORTANT POINTS

Disciplinary proceedings, initiated by disciplinary Authority, lower in rank to the rank of delinquent employee and order of punishment passed by officer of higher rank than that of disciplinary authority as well as that of delinquent employee is legal.

Punishment order is illegal if it is passed by disciplinary authority, lower in rank to the rank of delinquent employee.

An authority higher in rank than that of disciplinary authority may pass an order of punishment in disciplinary proceedings.

JUDGMENT

S. ABDUL NAZEER, J.
1. Leave granted.

2. Canara Bank and its functionaries have filed these appeals Signature Not Verified challenging the judgment of the Division Bench of the High Court of Digitally signed by ASHWANI KUMAR Date: 2020.01.08 16:33:53 IST Reason:

Judicature at Patna in LPA Nos. 1430 of 2013 and 849 of 2013, dated 14.07.2017, whereby the order of punishment passed against the respondent by the Appellate Authority, namely, the General Manager of the Bank, was quashed and the matter was remitted to the Disciplinary Authority, namely, the Deputy General Manager to proceed with the inquiry from the stage of receipt of the inquiry report and to conclude the proceedings in accordance with law.

3. The brief facts necessary for the disposal of these appeals are that the respondent was appointed on the post of Clerk with the Appellant¬Bank in the year 1978 and was subsequently granted promotion under the relevant rules of the bank. On 08.08.2008 the respondent was posted and working as Scale I officer of the bank at its Swarajpuri, Gaya Branch. He was put under suspension with effect from 20.09.2008 in view of the order passed by the Deputy General Manager of the Bank in contemplation of a departmental proceeding. The respondent was served with a charge sheet dated 14.02.2009 containing articles of charges and statement of imputations to articles of charges. The respondent submitted his explanation on 10.03.2009 denying the allegation of misconduct and praying therein that the proceeding initiated against him may be dropped and order of suspension passed against him may be recalled.

4. However, the Bank not being satisfied with the explanation furnished by the respondent, decided to proceed with the departmental proceeding

BETTER THAN A HUNDRED YEARS OF IDLENESS IS ONE DAY SPENT IN DETERMINATION

initiated against him. One Shri L.N. Jha, the Senior Manager of the Bank was appointed as Inquiring Authority and one Shri S.K. Sinha, the Manager of the Bank was appointed as the Presenting Officer. A preliminary inquiry was held on 28.04.2009. Regular inquiry was commenced w.e.f. 18.05.2009. The respondent nominated one Shri B.K. Sinha as defence representative to participate in the departmental inquiry. He participated in the said inquiry and presented the defence of the respondent.

5. In the departmental inquiry, four persons were examined as management witnesses. One Deepak Kumar Singh was examined as defence witness. Apart from the oral testimonies of the witnesses, some material documents were also produced from both sides, which were marked as management exhibits and defence exhibits respectively.

6. On the basis of the materials on record, the Inquiring Officer submitted his report dated 02.07.2009 holding the respondent guilty of the charges. A copy of the inquiry report was forwarded to the respondent by letter dated 03.07.2009 issued under the signature of the Deputy General Manager and Disciplinary Authority. The respondent was called upon to file his representation or submissions on the findings arrived at by the Inquiring Authority. Accordingly, the respondent submitted his representation/submissions. Thereafter, an order dated 18.8.2009 was passed by the General Manager and Disciplinary Authority, whereby the punishment of compulsory retirement was inflicted upon the respondent in terms of Regulation 4(h) of the Canara Bank Officers and Employees (Discipline and Appeal) Regulations, 1976 (for short 'Discipline and Appeal Regulations, 1976'). The appeal preferred by the respondent was dismissed by the Appellate Authority on 22.03.2010.

7. The respondent challenged the said order by filing a writ petition before the High Court in Civil Writ Jurisdiction Case No. 10295 of 2010. During the pendency of this writ petition, review application filed by the respondent was also rejected by the Chairman¬cum¬Reviewing Authority by order dated 30.07.2010. The Interlocutory Application filed by the respondent seeking amendment of the writ petition in order to assail the validity and correctness of the order passed by the Reviewing Authority was allowed by the High Court.

8. Learned Single Judge came to the conclusion that the General Manager of the Bank was justified in passing the order in view of Regulation 5(3) of the Discipline and Appeal Regulations, 1976. However, the learned Single Judge found that neither the Appellate Authority nor the Reviewing Authority have answered the grounds taken on behalf of the respondent in his appeal and review petition respectively. Therefore, the learned Single Judge remitted the matter, at the first instance, to the Appellate Authority for reconsideration of the matter as under:

> "For the reasons recorded above, the matter requires reconsideration by the specified and authorized Appellate Authority as also the Reviewing Authority. They are under legal obligations to decide all the issues raised and grounds taken on behalf of the petitioner in his memo of appeal as also in review petition, which has not been done in the present case.
>
> Since the matter is being remitted to the appellate authority, at the first instance, therefore, this Court is not inclined to decide other issues raised on behalf of the parties, which have been noted in the preceding paragraphs."

9. The Bank has challenged this order in LPA No. 1430 of 2013 before the Division Bench. The respondent has also challenged the order of the learned Single Judge in LPA No. 849 of 2013. The Division Bench after considering the rival contentions of the parties, has set aside the order of the learned Single Judge and remitted the matter to the Deputy General Manager to proceed with the inquiry from the stage of receipt of the inquiry report and thereafter to conclude the proceeding in accordance with law.

10. We have heard learned counsel for the parties.

11. The Division Bench has interfered with the order of the learned Single Judge on the ground that the General Manager being an authority higher to Disciplinary Authority cannot exercise the power of the Disciplinary Authority. Therefore, the Division Bench quashed the order of punishment and remitted the matter to the Disciplinary Authority, namely, the Deputy General Manager for fresh consideration in accordance with law.

HE WHO SEEKS HAPPINESS BY HURTING WILL NEVER FIND IT

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12. Regulation 5 of the Discipline and Appeal Regulations, 1976, provides for the authority to institute disciplinary proceedings and impose penalties, which are reproduced below:

> "5 Authority to institute disciplinary proceedings and impose penalties:
>
> (15) The Managing Director or any other authority empowered by him or by general or special order may institute or direct the Disciplinary Authority to institute disciplinary proceedings against an officer employee of the bank.
>
> (2) The Disciplinary Authority may himself institute disciplinary proceedings.
>
> (3) The Disciplinary Authority or any other authority higher than it, may impose any of the penalties specified in regulation 4 on any officer employee." (Emphasis supplied)

13. It is clear from the aforesaid Regulation 5(3) that the Disciplinary Authority or any other authority higher than it, may impose any penalties specified in Regulation 4 on any officer employee. In the instant case, the departmental proceedings against the respondent were initiated by the Deputy General Manager being the Disciplinary Authority. But the order of punishment has been passed by the General Manager, who was higher than the Disciplinary Authority. Having regard to Regulation 5(3), the Division Bench was not justified in holding that General Manager has no authority to pass the order of punishment.

14. In the result, the appeals succeed and are accordingly allowed. The order of the Division Bench impugned herein is set aside and the order of the learned Single Judge remitting the matter to the `uthorized Appellate Authority for reconsideration of the appeal is restored.

15. Parties to bear their respective costs.■

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