Public Sector Insurance (and Banks) on Sale

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PRIVATISATION OF INSURANCE (& BANKS)

Yet another scam!

Yet another betrayal of the Constitution!

Yet another betrayal of the people and the nation!

Part I: Scams Galore

The Modi Government is determinedly pushing ahead with the process of privatisation of the public sector insurance companies, which are amongst the best insurance companies in the world. These companies include the Life Insurance Corporation of India (LIC) and the four general insurance companies — the Oriental Insurance Company, New India Assurance, United India Insurance and National Insurance Company. It is also amending the law to permit their takeover by giant foreign insurers.

Vajpayee, 1999: First step towards privatisation

The first big step towards privatisation of the insurance sector was taken by the BJP-led NDA Government headed by PM Vajpayee in 1999, when it permitted private firms to enter both the life and non-life sectors. It also allowed foreign direct investment (FDI) in these private companies, subject to a cap of 26%.

Subsequently, in 2015, the Modi-led NDA Government got the Parliament to pass the Insurance Laws (Amendment) Bill increasing the FDI limit in private insurance companies from 26% to 49%.

These measures led to large number of private companies, including foreign corporations, entering the Indian insurance sector. Presently, apart from the public sector insurance companies, there are 23 private life insurance companies and 27 general insurance companies populating the industry.

Modi's second term: Privatisation accelerates

Now, in its second term, the Modi Government has passed laws allowing foreign insurance companies to takeover private Indian insurance companies, permitted privatisation of public sector general insurance companies, and has also begun gradual privatisation of the LIC.

In March 2021, the Modi Government got the Parliament to approve amendments to the LIC Act of 1956 that permit the government to offload a part of its holdings in the LIC. It did so surreptitiously. The LIC Act had been passed by both houses of Parliament in 1956. Therefore, the government should have got it amended by tabling a separate LIC amendment Act that would have enabled both houses of Parliament to debate this amendment. Instead, it tabled these amendments as part of the Finance Bill presented in Parliament along with the Union Budget 2021–22. The Finance Bill does not require approval of the Rajya Sabha. The government used its majority in the Lok Sabha to get the amendments passed without any discussion.[1] The amendments permit the government to reduce its holding in the LIC to 75% for the next five years, and also specify that the Centre will continue to hold at least 51% in the life insurer after that period.

Simultaneously, in March 2021, the Parliament also passed the Insurance Amendment Bill 2021 to increase the FDI limit in the private insurance sector to 74% from 49%. This means private insurance companies can now be foreign-owned and –controlled, enabling foreign companies to appoint a majority of directors and exercise decisive control over policy decisions.

In her 2021 budget speech, Finance Minister Nirmala Sitharaman announced that the government was going to privatise one general insurance company. To enable this privatisation, in August 2021, the Modi Government got the Parliament to pass a bill modifying the provisions of the General Insurance Business (Nationalisation) Act 1972, permitting the government to privatise state-run general insurance companies by lowering its shareholding in them to below 51%. (Note: this amendment does not apply to the LIC.)

All these bills with far reaching implications for the Indian economy were passed by Parliament without any debate. The government used its majority to ram them through the Parliament, despite vociferous protests by the Opposition parties, and despite massive protests outside Parliament by insurance sector employees.

After these initial steps, in early 2022, the government began the process of selling off a part of its shares in the LIC, the country's biggest life insurance company. To permit foreign investors to invest in LIC shares, the Union Cabinet in February 2022 amended the country's FDI policy; it capped a 20% FDI limit in LIC under the automatic route.

LIC has an equity base of 632.50 crore shares. The government initially decided to sell 5% or 31.625 crore shares. But later, for some unexplained reason — probably due to turmoil in the global markets because of the Russia–Ukraine–NATO war — it decided to lower the planned disinvestment to 22.1375 crore shares, representing 3.5% of LIC's equity base. The sale of shares opened on 4 May 2022, and closed on 9 May. The government earned Rs 20,557 crore from the sale.[2]

The country's 'Godi' media was full of praise for the sale. Even after the government pared down the LIC IPO, it was the biggest ever public issue in the country, and earned the government nearly one-third of its projected earnings from disinvestment in 2022–23 (the government had pegged disinvestment receipts at Rs 65,000 crore in FY 22–23).

But what no one mentioned is: it is also a multiple scam of gargantuan proportions.

Scam 1

The LIC was established in 1956 after the government nationalised 245 private insurance companies. The government initially invested Rs 5 crore as equity capital in the company at the time of its formation. Since then, apart from this initial investment by the government, all the remaining money for LIC's operations and expansion has come from funds provided by policyholders; the government has not contributed even a single additional paisa for its operations. Even the compensation paid to the erstwhile private insurance companies consequent to their takeover was paid out of funds provided by policyholders, and not by the government.

The LIC has managed its policyholders' funds so well that today, its Life Fund has grown to Rs 38 lakh crore![3]

LIC is a unique company in the world of finance — nothing like it exists anywhere in the world. Since its inception, till the Parliament passed the LIC Amendment Act in 2021, it functioned like a cooperative or a mutual company (even though it was not formally or legally termed as such), where the members of the company were its policyholders. The participating policyholders funded the expansion of LIC. They shared in the profits from the non-participating policies, and if there was a loss in the non-participating policies, they also shared the loss. So, the policyholders were actually the real shareholders. Hence it was that the LIC distributed 95% of its profits to its policyholders and only 5% to the government (in return for its equity investment at the time of formation of the LIC). There was no appropriation of the profits of the LIC by any external body.[4]

It is of course true that each of the millions of policies issued by the

LIC is guaranteed by the government. But the performance of the LIC has been so exemplary that the guarantee has never had to be invoked.

Over the past 65 years, due to its splendid performance, the LIC policyholder base has expanded to over 40 crore, one-third the population of the country. As of 31 March 2022, the assets under its management were a whopping Rs 40.85 lakh crore; and its total income for the year 2021–22 was Rs 7.21 lakh crore.[5] It has paid the government a cumulative dividend amounting to over Rs 28,695 crore since inception — on an initial capital investment of Rs 5 crore![6] There is probably no corporation in the world like the LIC — that makes no profits for itself, yet has the scale of operations that the LIC has in the world of finance.

The above description makes it obvious that the government cannot be considered to be the owner of the LIC; LIC belongs to its policyholders, they are its real shareholders. The government's share in the ownership can at the most be considered to be 5% — for the simple reason that the government, apart from the initial equity of Rs 5 crore in 1956, has never ever made any investment in the LIC. The entire growth and expansion of the LIC has been done through policyholders' money. Even when the Insurance Regulatory Authority of India mandated an increase in equity to Rs 100 crore for insurance companies, the funds were raised internally by LIC.[7]

Despite this, the government in 2021 declared that it was the owner of the LIC, arm-twisted the Parliament to push through an amendment to the LIC Act that effectively expropriated the policyholders from their ownership rights over the company, and announced that it was going to sell off a part of its shareholdings, even to foreign investors, to meet its fiscal needs!

LIC is the biggest real estate owner in the country after the railways, with assets in almost every city and town in India. The current value of LIC's assets would be of a mind-boggling scale, amounting to several lakh crore rupees. The capital for the acquisition of these assets has come entirely from policyholders. With the government now selling 3.5% of LIC's shares to private individuals, the new acquirers of the company would effectively have a claim over these huge assets, towards whose acquisition neither they nor the government have contributed anything.

Scam 2

Life insurance policies can broadly be classified as participatory or non-participatory in nature. In a non-participatory policy, you get just what you are insured for. There are two costs involved — a part of the premium goes towards the risk borne by the insurer and the other part is for the maintenance of the policy (for instance, overheads and employee salaries). In a participatory policy, the policyholder pays an additional premium over and above these two elements of cost, thus providing additional funds to the insurance company for its investments. In return, the policyholder gets a share of the profits of the company, in the form of a bonus (therefore, there is an element of risk involved, as profits are not known) — similar to dividends paid by companies on shares.

As all insurance companies do, LIC also reinvests premium monies that policyholders pay. Till before the 2021 amendments to the LIC Act, the profits that came from this investment were held in one single fund, known as the Life Fund. This included profits from non-participatory policies. The surplus was divided between policyholders (in the form of bonuses) and shareholders (which is the government, in the form of dividends) in the ratio of 95:5. Thus, the policyholders of participatory policies also got a share of the profits emanating from the non-participatory policies, based on the logic that participatory policyholders bore the risk of losses that arose from non-participatory policies.

The LIC Amendment Act 2021 necessitated the segregation of the Life Fund into participatory and non-participatory funds, depending on the nature of the policies they support. In accordance with this, in September 2021, the LIC board approved the bifurcation of the Life Fund, whose consolidated corpus then stood at Rs 36 lakh crore. After bifurcation, the non-participatory policyholders' fund totalled Rs 11.37 lakh crore, or roughly one-third of the total, as of September 2021. As per the amendment, henceforth, the profits arising from non-participatory policies would not be shared with the policyholders of the participatory policies, but would be in entirety transferred to the shareholders, including the new shareholders after the IPO. Profits from participatory business would continue to be shared between policyholders and shareholders. But even here, while earlier this distribution was in the ratio of 95:5, now after the amendment, the share of the policyholders in the profits is going to fall to 90% from 2025 onwards.[8]

In one swoop, the government has robbed the policyholders of a significant part of their earnings from their investments in the LIC and transferred them to itself (as a shareholder) and the new share acquirers — who have not contributed a penny to the huge growth of the LIC Life Fund.

Subsequent to the IPO, the Managing Director of LIC announced that LIC is going to increase the share of non-participatory policies in its portfolio![9] Implying that the entire focus of the LIC in the coming years is going to be on increasing the returns to its shareholders, rather than its policyholders.

Media reports hint that the Modi Government is doing all this at the instance of international investors[10] — clearly, the ground is being laid for the eventual takeover of the LIC by international insurance companies.

Scam 3

To sell the shares of a company, you have to place a value on them, which requires valuation of the company.

To arrive at a fair valuation of the LIC, it needs to be kept in mind that the LIC is India's second biggest realtor after the railways, and has assets in not just all Indian metros and large cities but across the length and breadth of the country. Their value alone would be several lakh crore rupees. LIC has many subsidiaries, both in India and abroad. LIC overwhelmingly dominates the life insurance market in the country — in terms of policies it has three-fourths of the market, and in terms of the premium income, it has about two-thirds of the market. Its brand value is huge, as it is by far the most popular and well-known insurance brand in India. LIC's Assets Under Management (AUM) are not only way above total AUM of the all private insurers in India, they also exceed the AUM of the entire mutual fund industry in India. Its track record is without a blemish over the past six decades. Therefore, while it is indeed difficult to estimate the true value of LIC, a comparison with the IPO floats of LIC's peers SBI Life and HDFC Life suggests that the government should have valued the LIC share at at least between Rs 3,216 to Rs 3,386.[11] And since both these life insurance companies are much smaller than the LIC, therefore obviously the LIC share value should have been priced significantly higher than this. Since the LIC has an equity base of 632.50 crore shares, this would mean a total valuation of at least Rs 22 lakh crore for the public life insurer, or even more. And indeed, media reports stated that the government was considering valuing the insurance behemoth at Rs 22 lakh crore.[12]

However, relentless haranguing from international investors[13] pushed a spineless Modi Government to lower its valuation of LIC to less than one-third of this — Rs 5.94 lakh crore — an amount that is probably less than the value of LIC's land assets alone! It priced the value of each share at just Rs 938, earning the government only Rs 20,765 crore from the sale of 3.5% of its shares.[14] The implicit loss to the exchequer, even if one forgets for the moment the utter idiocy of the privatisation exercise (that we discuss below), is thus at least Rs 55,000 crore.

But the biggest scam is the privatisation exercise itself. It is going to have disastrous consequences not only for the crores of policyholders of the LIC, it is going to adversely affect the Indian economy too. Let us see how.

Part II: Why Nationalisation?

Insurance business: Huge possibility of fraud

Insurance is a very risky business. The insured (policyholder) pays a sum in advance (called premium) to the insurance company in lieu of a promise that the company will fully or partially meet the costs of some future event (such as an accident, fire, theft or sickness or provide for dependents in case of death), the occurrence of which is uncertain. The insurer deploys the funds in investments that offer returns that ensure the availability of adequate funds in case that event actually occurs and the insured person files a claim.

There are huge risks here. The insurance company will have to make an estimate of how many of the insured people will file claims, and will have to price the policy such that the sums collected and invested yield sufficient stable returns to cover the claims. The insurance company may underestimate the probability of claims arising. Or it may make wrong investment choices — like for example invest in risky instruments that promise higher returns, but have higher risks, like shares or derivatives. In either case, it can run into huge losses.

There is also another possibility. Since insurance is only a promise by the insurance company to pay the costs for some future event, it makes the insurance business particularly susceptible to fraud and malpractice. On a small equity base, massive funds can be mobilised, and then the insurance company can just declare bankruptcy and vanish — making it an ideal hunting ground for fly-by-night operators.

And so, nationalisation

This is precisely the reason why the LIC was established in the public sector.

At the time of independence, the insurance industry in India was entirely in the private sector. However, the private insurance companies were indulging in innumerable malpractices and even outright swindling. Companies would simply declare bankruptcy and vanish, depriving lakhs of policyholders of their life's hard-earned savings. Most of the big private insurance companies were controlled by India's big business houses; the list included some of the best known industrialists — Birlas, Tatas, Singhanias and Dalmias — and they would often siphon off the resources raised from policyholders into other enterprises. Such was the scale of loot and plunder that during the decade 1945–55, as many as 25 life insurance companies went into liquidation and another 25 had so frittered away their resources that their business had to be transferred to other companies at a loss to the policyholders.[15]

Legislation had proved totally ineffective in checking these frauds. Commenting on the ingenuity of the private insurance companies in circumventing legislation to defraud policyholders, the then Finance Minister C.D. Deshmukh made the following observation in Parliament on 3 March 1956:

> No amount of control can prevent frauds. And the number of ways in which fraud can be practised which was 42 in Kautilya's days has risen to astronomical figures these days.

He further added that even if the fraud was detected, "All that can be done is to detect fraud and to punish guilty. But of course that is a poor consolation to the policyholder."[16]

A massive fraud of Rs 2.75 crore in Seth Ramkrishna Dalmia owned Bharat Insurance Company in January 1956 proved to be the proverbial last straw.[17] The Nehru Government decided to take over the private life insurance companies and nationalise the life insurance sector. 245 Indian and foreign companies were taken over and amalgamated to establish the LIC. Subsequently, in 1971–72, general insurance was also nationalised: four public sector general insurance companies took over the business of 107 private companies, with the General Insurance Company (GIC) as the holding company.

Expectations from LIC

Justifying the government decision to nationalise insurance, and outlining the government's expectations from the LIC, Finance Minister C.D. Deshmukh stated in Parliament on 29 February 1956:

> Insurance is an essential social service which a welfare state must make available to its people and the State must assume responsibility for rendering this service once it cannot be provided in any other manner.... With the profit motive eliminated, and the efficiency of service made the sole criterion under nationalisation, it will be possible to spread the message of insurance as far and as wide as possible, reaching out beyond the more advanced urban areas and into hitherto neglected, namely, rural areas.

Explaining what the government expected of a well-run insurance company, he stated:

> Firstly, the (insurance) business must be conducted with the utmost economy and with the full realisation that the money belongs to the policyholder. The premium must be no higher than is warranted by strict actuarial considerations. The fund must be invested so as to secure the maximum yield for the policyholders that it may be possible to secure, consistent with the safety of the capital. It must render a prompt and efficient service to its policyholder and by its service make insurance widely popular. Finally, the management must be conducted in a spirit of trusteeship.[18]

Insurance is one of the means of channelising domestic savings for meeting infrastructural and social investment needs according to national priorities. This was one of the most important reasons for nationalising the insurance industry. To quote Finance Minister C.D. Deshmukh once again (from his radio broadcast to the nation on 19 January 1956):

> The nationalisation of life insurance is a further step in the direction of more effective mobilisation of the people's savings. It is a truism which nevertheless cannot too often be repeated, that a nation's savings are the prime mover of its economic development.[19]

The concepts of 'promotion of a welfare state', 'spreading the message of insurance into hitherto neglected, rural areas', 'trusteeship', 'elimination of the profit motive and maximising the yield for the policyholders', 'effective mobilisation of people's savings for national development' — these were the concepts that formed the primary basis for enacting the LIC Act. These were the ideas that were upheld by the Parliament when it granted approval to the LIC Act in 1956.

LIC fully justifies faith reposed in it

The LIC has fully justified the faith reposed in it. Over the last nearly seven decades, LIC has reached out to almost every household in the country, especially the rural, marginalised and weaker sections of society. India has 24.8 crore households, while LIC has around 40 crore policyholders, of whom 30 crore hold individual policies while the rest subscribe to group insurance policies.[20]

LIC has made strenous efforts to expand its operations in rural areas. It has a strong branch network in rural areas, and today nearly 20% of its business is procured from these areas.[21] In the financial year 2020–21, new business from rural areas accounted for 21.4% share in policies and 15.7% share in total Sum Assured[22] (more on this below).[23]

Since its establishment in 1956, the total amount of policyholders' funds managed by the LIC has skyrocketed (see Table 1).[24]

Table 1: LIC's Premium Income and Life Fund, 1957 and 2022

	1957	***2022***
Premium Income	Rs 89 cr.	Rs 4.27 lakh cr.
Life Fund*	Rs 448 cr.	Rs 37.36 lakh cr.

* Sum total of premiums and interest earnings less expenses of management and claims

Starting from an equity investment of Rs 5 crore and a Life Fund of Rs 448 crore, today, the LIC has Rs 40 lakh crore as assets under management, its investments in the economy have surpassed Rs 36 lakh crore, and it has a Life Fund of Rs 37 lakh crore — mindboggling figures indeed.[25]

Clearly, LIC has been enormously successful in mobilising people's savings. And it has channelised them towards meeting national development priorities. It has made huge investments in government securities, infrastructure projects and socially oriented schemes. Its investments in infrastructure and social sector include areas like: projects for generation and transmission of power; housing sector; water supply and sewerage projects; and development of roads, bridges, road transport and railways. Many of these schemes have been granted funds at lower than market rate.[26]

In 2016, the Modi Government got the LIC to commit an investment of Rs 1.5 lakh crore in the railways over a period of five years, till 2020, by subscribing to bonds issued by the railways. The LIC also bought Rs 4,200 crore worth Ujwal Discom Assurance Yojana (UDAY) bonds issued by state governments to bail out the debt-ridden state power utilities (the plan was initiated by the Central government). The Centre also got the LIC to invest Rs 4,000 crore in the National Investment and Infrastructure Fund (NIIF) — a quasi-sovereign fund envisaged to fund India's infrastructure requirements.[27]

The reason for this huge success of the LIC in mobilising people's savings is its public sector nature. It has not indulged in any embezzlement of people's savings deposited with it. It has fully upheld the trust imposed in it by the then Finance Minister C.D. Deshmukh and Prime Minister Jawaharlal Nehru when they nationalised the private insurance companies to establish the LIC — it has eliminated the profit motive, kept the premium at the minimum possible, sought to maximise yields for the policyholders, mobilised a huge amount of people's savings for national development, invested the funds deposited with it securely and according to national priorities, and rendered prompt and efficient service to its policyholders.

One of the best ways to measure the reliability of an insurance company is its claims settlement record. The figure for LIC for 2020–21 was an incredible 98.62%, amongst the best in the world.[28] The world average is an abysmal 40%. Even the world's biggest insurance firm, Prudential, has settled only 45% of its claims.[29] This is yet another proof that the LIC has always kept the interests of policyholders paramount in its operations.

It is for all these reasons that crores of people have reposed faith in the LIC and taken out life insurance policies, making LIC one of the most valuable brands in the country.

Myths about private insurance

The Modi Government has been claiming that measures providing for greater private participation in the public sector insurance companies would lead to increased capital inflows into the insurance sector, help insurance penetrate marginalised areas and enhance insurance penetration, improve the administration and accountability of insurance companies, improve transparency, better secure the interests of policyholders and contribute to faster growth of the economy.

Corporate honchos and sycophantic intellectuals have been repeating these claims ad nauseum in the 'Godi' media.[30]

The facts given above about the astounding performance of the LIC make it clear that most of the claims being made about the benefits of privatisation of the insurance sector — that it would help improve transparency and accountability, and better secure the interests of policyholders — are all humbug. The privatisation of the LIC has only just begun, and already, the policyholders have been deprived of a significant part of the profits, which have been transferred to the pockets of the 'new shareholders'.

LIC's concern for maximising the returns to its policyholders is also reflected in another metric: IRDAI's annual report for 2021–22 states that operating expenses of LIC, as a percentage of gross premium underwritten, were 9.1%, whereas the same for private sector life insurers were significantly higher at 14.4%.[31]

The argument that privatisation would lead to greater inflows of capital into the insurance business is also fallacious. Not only has LIC been enormously successful in mobilising people's savings, it also generates between Rs 4 to 5 lakh crore investible surpluses annually; therefore it has no need to access capital markets for funds to expand business activities.[32]

But there is one claim that still needs discussion — that privatisation will lead to greater insurance penetration and greater mobilisation of people's savings. From the Finance Minister to every mainstream intellectual / economist supporting privatisation of LIC — this is one averment that all of them make. We now examine this claim.

Will privatisation lead to improved insurance penetration?

Insurance penetration is defined as the ratio of total premium income to the gross domestic product (GDP) of the country. Actually, insurance penetration in India is bound to be low as compared to countries with much higher per capita incomes. That is because as the Swiss Reinsurance Company points out in one of its reports (called *Sigma*), "Demand for insurance depends on disposable income."[33] The amount of income a person would be willing to spend on insurance depends on his/her income level. In a country where more than 70% of the population lives at or below subsistence levels, obviously the percentage of population with savings to spare for spending on insurance is going to be very small. Despite this constraint, the performance of India's public sector insurance companies in mobilising premiums has been remarkable.

Let us first take a look at the overall insurance penetration figures, including both the public and private sectors (disaggregated figures are not available). The life insurance penetration in India is 3.2%, which is very close to the global average of 3.3%! This fact is also admitted by the *Economic Survey* 2021–22 of the Government of India. Astonishingly, life insurance penetration in India is higher than that for the United States (3%) and Germany (2.8%)![34] This high level of insurance penetration is all the more remarkable, given that these countries have a per capita income 10 times that of India. And India's life insurance penetration is way above other emerging market economies of Europe, Middle East and Africa, whose average is only 0.7%; as well the average for the countries of Latin America and the Caribbean (1.4%). [Note: Insurance penetration in the non-life sector in India is lower, at 1%. While this is much lower than that for the developed countries, it is higher than that for many other emerging market economies like Vietnam, Indonesia, Philippines, Kazakhstan and Egypt, where it is just around 0.5%, and is comparable to countries of Latin America and the Caribbean, and several emerging market economies of Eastern Europe.[35]] Therefore, it is not surprising that even the IMF, despite all its push for privatisation, admits in its 2013 *Country Report* on the insurance sector in India that:

> India is a clear outperformer in terms of expected life insurance penetration and is broadly in line with expectations in the non-life sector.[36]

The credit for this amazing performance of the life insurance sector in India achieving insurance penetration levels comparable to the developed countries goes entirely to the LIC. The private life insurers are just not interested in spreading insurance to the backward and rural areas, and to the poorer sections of society; their entire focus is on maximising their profits, and minimising expenses. So, the thrust of the private insurance companies has been on opening offices in the bigger cities rather than to small towns and rural areas. On the other hand, in keeping with the objectives set out at the time of its establishment in 1956, the LIC has not focussed on the "profit motive", it has considered insurance as an "essential social service", and has "sought to spread the message of insurance as far and as wide as possible, reaching out beyond the more advanced urban areas and into hitherto neglected, namely, rural areas". And so it is that while the 23 private insurers together have nearly 30% more offices than the LIC, the bulk of their offices are concentrated in metro-cities and urban areas — which account for 77% of their offices. On the other hand, only 37% of LIC offices are in metros and urban areas. It has more than double the number of offices than all the private insurers combined in semi-urban areas, and triple the number of rural offices (see Table 2).[37]

Table 2: Distribution of Offices of Life Insurers in India

	Metros	*Urban*	*Semi-urban*	*Rural*	*Total*
LIC	853	976	2,932	171	4,932
Private	1,909	2,983	1,397	58	6,347

This creditable performance of the LIC in expanding insurance to the remotest corners of the country is acknowledged by the IMF too. Its 2013 *Country Report* quoted earlier says:

> Insurance sector in India has a relatively large footprint relative to other forms of financial intermediation given India's income levels.

The difference in focus between the LIC and private insurance companies is also sharply brought out by the huge difference in their average premium size. For the year 2020–21, the average annual premium of a policy sold by LIC was a little over Rs 16,000 while for the private sector it was more than five times this amount — Rs 89,000. This implies that the private sector is more interested in selling policies to the upper middle classes and the rich, from whom it can get higher premiums per policy, while the LIC is seeking to expand the reach of insurance to all sections of society, including the weaker sections.[38]

It is because of this focus on providing affordable insurance to the weakest sections of society as a social service that:

- while LIC is the largest life insurance company in the world in terms of number of policies and number of claims it settles annually;
- in terms of profitability, it is way below the world's big insurance companies — its net income in fiscal 2021 was a paltry $406 million as against $23.1 billion of Ping An, considered to be world's largest insurance company in terms of assets.[39]

India's amazing life insurance penetration level is therefore entirely because of the public sector nature of the LIC. Because of this, it has sought to reach out to the most marginalised sections of society living in the remotest corners of the country. And so, despite the entry of 23 private life insurers in the Indian market, many of which are joint ventures of India's big private corporate houses with the world's biggest insurance companies, and despite most of them operating in the Indian market for more than two decades now, the total people's savings mobilised by the LIC is several times more than that of all the private insurers combined, as shown in Table 3.[40]

Table 3: People's Savings Mobilised by Life Insurers (as on 31 March 2022) *(in Rs lakh crore)*

	Total Premium Income	*Total Investments*
LIC	4.28 (62%)	36.79 (74.3%)
Private Insurance Companies	2.65 (38%)	12.73 (25.7%)
Total	6.93	49.52

LIC's exemplary performance and its overwhelming domination of the Indian market is borne out by other figures too. Even after 22 years of competition with some of the world's largest insurance companies, it has a share of 63.2% in new business premium income (including both First Year and Single Premiums) and 74.6% in number of new policies issued (all figures for 2021–22).[41]

There is another fact hidden in the above statistic, which again brings out the difference in orientation between LIC and private insurance companies. While LIC has a 74.6% share in the number of new policies, its market share in new premium income is relatively lesser, at 63.2%. Whereas the private sector with a lesser percentage of new policies, has a disproportionately higher share in the premium income! The reason for this is again the LIC's public sector nature because of which it has focussed on insuring maximum number of people, including lower income groups. This is why the average annual premium of a policy sold by LIC is much less than that of private insurance companies.

From the extensive arguments given above, it therefore follows that as the privatisation of the LIC advances, its entire orientation is going to change:

- there will be greater focus on elite business with high premiums rather than providing socially necessary insurance for the weaker sections of society;

- there will be more concentration on urban and metropolitan centres at the cost of rural India;
- in order to ensure greater profits, there will be a tendency to sell policies capable of giving better returns to the shareholders rather than encouraging traditional endowment products.

Privatisation: Private loot of public savings

In any discussion about the benefits of privatisation of insurance, one obvious question that needs to be asked, but which no one is even mentioning, is about the security of people's savings. As discussed above, insurance business is a high risk business, and the chances of insurance companies running into huge losses are very high. It is also a business susceptible to frauds. India's insurance sector was entirely in private hands till the early 1950s — malpractices and frauds were rife; dozens of companies ran up huge losses and closed down. And so in 1956, the Nehru Government nationalised all the 245 foreign and Indian private life insurance companies and amalgamated them to form the LIC. At the time of nationalisation, the then Finance Minister stated that an important principle governing the functioning of the LIC should be: insurance must be run as a welfare service, the profit motive should be eliminated, and the policyholders' money "must be invested so as to secure the maximum yield for the policyholders that it may be possible to secure, consistent with the safety of the capital."

As we have seen above, the LIC has consistently upheld these objectives in its functioning. On the other hand, once the LIC is privatised, it will no longer be run for furthering the welfare of people. Maximisation of profits will become the prime motive — as can be seen in the functioning of the private insurance companies who are interested only in selling high-premium policies to the well-off. But most importantly, will the savings of people remain secure? Privatisation would mean government guarantee of people's savings deposited with the LIC would end. The control of these savings will pass into the hands of the very same companies who had earlier indulged in outright swindling of people's hard-earned life savings, because of which they had been nationalised in 1956. And the assets under management of the LIC are huge — Rs 40 lakh crore. This amount is nearly double the net annual tax revenue of the Central Government for the year 2022–23.

Ever since the Modi Government came to power in 2014, it has been taking gradual steps to privatise the insurance sector. Its cavalier attitude towards security of people's savings can be discerned from the fact that it has gradually pushed the LIC to increase its investments in risky instruments like equities and shares.

According to news reports, in just two years, LIC's investment in equities has doubled, going up from Rs 4.61 lakh crore or 15.02% of its total investments as on 31 March 2020 to Rs 9.89 lakh crore as on 31 March 2022, amounting to a quarter of its total investments.[42]

Amongst the biggest holdings of the LIC in private companies are a 6.45% stake in Reliance Industries (value over Rs 118,800 crore), 3.98% stake in Tata group companies (value around Rs 87,200 crore), 16.2% in ITC (Rs 43,000 crore) and 5.67% in Infosys (Rs 40,000 crore). Over the two-year period September 2020 to September 2022, LIC has also rapidly increased its investments in the Adani Group to Rs 74,000 crore, amounting to 3.9% of Adani Group's total market capitalisation of Rs 18.98 lakh crore.[43] LIC has recklessly increased its investments in the Adani Group — infamous for being a 'close friend' of PM Narendra Modi — despite warnings by rating agencies that the Adani Group was "deeply overleveraged" because of its aggressive investments across several businesses, and could fall into a debt trap and default.[44]

The Modi Government has also used the LIC as a cash cow, milking it to bail out its disinvestment program whenever it has floundered. Over the period 2014 to 2018, the LIC bought shares worth Rs 35,000 crore in BHEL, Coal India, Indian Oil, General Insurance Corporation, New India Assurance Company and Hindustan Aeronautics Limited to help meet the government's disinvestment targets. In 2018, the Modi Government did something unprecedented: it got the LIC to buy majority (51%) stake in the IDBI — the most debt-ridden bank in the public sector with 28% bad loans — by investing Rs 21,600 crore; the next year, the LIC pumped in another Rs 4,793 crore into the IDBI to help it write-off bad loans.[45]

Clearly, as the privatisation of the LIC advances, the pressure on LIC to function like a clone of private insurers and increase its high-risk high-returns investments is going to increase. So long as the going is good, and stock markets are buoyant, that is fine. But what happens when there is a stock market collapse? Coincidentally, just as we were finalising this booklet, a preview played out. The Adani Group stocks crashed, because of which the value of LIC's holdings in Adani Group companies plunged — falling from Rs 72,193 crore on 24 January 2023 to Rs 55,565 crore on 27 January 2023 — a 22% fall in just two days.[46]

Not just privatisation, but 'foreignisation' too

Along with privatisation, the government is permitting foreign investors to enter the insurance sector. It is even making the necessary legislative changes to allow foreign insurance companies to dominate this sector.

This will put the investments of crores of India's low-income policyholders further at risk! In all countries where insurance is in the private sector, competition among private insurance companies and the race to maximise profits has led to malpractices and failures.[47]

Thus, for instance, in the US, insurance companies routinely pay people 40–70% less than what their policies promise when they suffer tragedies like destruction of their homes in fires or car accidents. Thousands of complaints have been filed with state insurance departments and courts. Being economically very strong and politically very powerful, the private insurance companies use all kinds of legal tricks to keep the cases dragging on for years, till the plaintiffs tire out and accept what the insurers offer.[48]

A more recent report of the American Association for Justice (a nonprofit advocacy organization for trial lawyers in the United States) on the US insurance industry, released in February 2017, says that while "US insurance industry has trillions of dollars in assets, enjoys average profits of over $30 billion a year", yet, American insurance companies "engage in dirty tricks and unethical behaviour to boost their bottom line even further." It goes on to say that they have "endeavoured to deny claims, delay payments, confuse consumers with incomprehensible insurance-speak, and retroactively refuse anyone who may cost them money."[49]

A particularly appalling example of the manipulative power of US insurance companies relates to medical insurance. While health care in the US is very costly, the private insurance companies have been successful in preventing the US Government from providing universal health care to its citizens. And health insurance premiums are so high and the health insurance provided by the US Government to those who cannot afford it is so complex and piecemeal that nearly 41 Americans were uninsured before the Corona pandemic (that is, in 2019), and this number further increased during the pandemic. Additionally, another

45.3 million adults are under-insured, forcing them to often forgo healthcare that they require. This lack of universal health coverage results in many preventable deaths. Thus, one recent study found that during the Corona pandemic, from the start of the pandemic in 2020 to March 2022, universal health care could have saved more than 3.38 lakh lives (out of the 10 lakh Corona deaths in the USA till March 2022)![50]

Worse, hundreds of insurance companies in the developed countries have been declaring bankruptcy every year, because of speculative investments and unethical practices.[51]

In the US, the number of failures reached such scandalous proportions (according to one report, there were over 640 insolvencies during the 30-year period 1969–98[52]) that the US House of Representatives set up a sub-committee to investigate insurance companies' insolvencies. In its report titled *Failed Promises: Insurance Company Insolvencies* submitted in February 1990, the committee stated that the insurance industry is threatened by "scandalous mismanagement and rascality" that could trigger widespread failures. The committee stated that the insurance companies were plagued by problems of "rapid expansion, overreliance on managing general agents, extensive and complex reinsurance arrangements, excessive underpricing, reserve problems, false reports, reckless management, gross incompetence, fraudulent activity, greed and self-dealing." It went on to say that "the driving force" behind these "deplorable management attitudes" was "quick profits in the short run, with no apparent concern for the long-term well-being of the company, its policyholders, its employees, its reinsurers, or the public."[53]

That was more than three decades ago. The US Government took no action on this scathing report by its own Congressional committee, and therefore, the "scandalous mismanagement and rascality" of insurance companies has continued unchecked. Several dozen insurance companies, including big names like the Penn Treaty Network America Insurance Company, have gone bankrupt in the USA in the past 30 years.[54] The biggest failure of all was the collapse of the global insurance giant American International Group (AIG) in September 2008. AIG was the world's biggest insurer in terms of market capitalisation ($188 billion in May 2007). It failed because it made huge investments in exotic financial instruments in search of high returns. So long as the going was good, no one asked any questions; but when the stock market collapsed in 2008 during the Great Recession, the investments became worthless and AIG verged on bankruptcy. The collapse of AIG could have triggered a chain of bankruptcies, threatening the stability of the entire global financial system, and so the US Government was forced to step in and pour in more than $180 billion of taxpayer dollars to bailout the company![55]

The situation is not much different in Europe. Lloyd's of London, Britain's fabled insurance market, ran up billions of dollars of losses in the late-1980s and early-1990s that left thousands of its individual investors in financial ruin. According to the British Broadcasting Corporation, underwriting 'errors' was a major cause for its mounting losses, which is a euphemism for recklessness and lack of principles.[56] No lessons were learnt from this failure and insurance companies have continued to fail in Europe in large numbers. Recently, the European Insurance and Occupational Pensions Authority (EIOPA) set out to investigate these insurance failures for the period 1999 to 2020. Even though it decided to investigate only a limited number of failures, even then its sample had 219 companies — implying the actual number of failures was far more than this.[57]

Let us go back to the report of the US Congress subcommittee that investigated the failures of insurance companies in the USA. It says in its summary:

> The insurance industry sells a unique and important product ... That product is a promise to pay all or a part of the costs associated with some future event.... Insurance is an easy business to enter. Because making promises does not require expensive plants and equipment or time-consuming construction, all that is really necessary is to meet regulatory capital and skill requirements, and convince potential customers that the promise of insurance will be honoured at an attractive price. The cash flow is up front, and the payment of insurance claims can be years away.

The subcommittee went on to the say:

> The business of insurance is uniquely suited to abuse by mismanagement and fraud. Making believable promises is a stock item in every con man's bag of tricks. The prepayment of large, often vast, sums of money with few restrictions lends itself naturally to monumental wasting of assets through greed, incompetence and dereliction of duty. This combination of easy money based on easy promises makes the insurance industry an irresistible target for financial knaves and buccaneers.

And so the subcommittee concluded:

> a relatively few crooks, scoundrels and incompetents are capable of bankrupting huge companies, and possibly an entire industry.... Fast operators in the industry are ignoring the rules, creating new schemes to enrich themselves, and walking away unscathed.[58]

Note that these reasons for the failures of insurance companies in the US are the same as those given in 1956 by Finance Minister C.D. Deshmukh for the frauds and failures afflicting India's private insurance sector. Since legislation had proved totally ineffective in checking these frauds, the Nehru Government nationalised the insurance industry.

Seven decades later, the wheel has come full circle. The Modi Government has decided to hand over India's remarkably performing public sector insurance company back into the hands of 'crooks', 'scoundrels' and 'fast operators'.

Part III: Privatisation of Banks too

Privatisation of banks also begins

The government is privatising not just public sector insurance companies, but also public sector banks.

The story of India's banking sector is very similar to that of India's insurance sector. India's banks were all in the private sector at the time of independence. Except for nationalisation of the Reserve Bank of India in 1949 and the Imperial Bank of India in 1955 (it was renamed as State Bank of India), the government allowed private banks to continue operations. These banks were owned by powerful business houses and capitalist tycoons. The banking network was focussed mainly on the urban areas: 44% of deposits and 60% of the total credit was accounted for by just 5 centres: Ahmedabad, Delhi, Calcutta, Bombay and Madras![59] The business tycoons owning the banks used the people's money deposited with them mainly for their own industrial and business needs, and not for benefiting the economy as a whole. Several sectors, such as agriculture and small-scale industrial units, did not have proper access to banking facilities.[60]

But the most disastrous aspect from the point of view of the common people, was that these private banks also indulged in swindling and frauds. They sometimes even declared bankruptcy and vanished, resulting in lakhs of people losing their life's savings. Despite the government's efforts to prevent these failures by enacting regulatory legislation, during the two decades from 1947 to 1968, a total of 774 banks failed or were amalgamated or liquidated.[61]

And so, banks also nationalised

Finally, in 1969, the Indira Gandhi Government nationalised 14 major private banks with deposits exceeding Rs 50 crore. In 1980, after Indira Gandhi was voted back to power following the fall of the Janata Party Government, six more big private banks with deposits exceeding Rs 200 crore were nationalised. According to the then Governor of RBI I.G. Patel, these banks were engaged in "shady dealings" and "had become the personal fiefdoms of individuals who disregarded all rules and advice with impunity."[62]

Nationalisation led to a complete change in the orientation of India's banking sector. The nature of banking changed from 'class banking' to 'mass banking' — the government directed the banks to open branches in rural and semi-urban areas that had been hitherto neglected by the private sector banks. The concept of 'priority sector' lending was introduced, wherein banks were directed to compulsorily set aside 40% of their net bank credit for agriculture, micro and small enterprises, housing and education, and 'weaker' sections. Loans were provided to the weakest sections of society at low interest rates.

Consequently, there took place a huge expansion in the banking network in India. Not only did the total number of bank branches go up by many times, the number of rural bank branches simply zoomed — from just 18% of the total bank branches in 1969, the total number of rural branches went up to nearly 60% in 1990 (Table 4)! Bank agricultural lending saw a huge jump, which played a key role in the take-off of the Green Revolution — despite all its side-effects, it gave a big boost to agricultural production in India, and made India self-sufficient in foodgrains.

Table 4: Expansion of Public Sector Banking after Nationalisation, 1969 to 1990[63]

	June 1969	***Dec 1990***
Total Branches	8,187	59,752
Branches in rural areas	1,443 (17.6%)	34,791 (58.2%)

With banking becoming accessible to the common people, and their savings guaranteed, people's deposits in public sector banks skyrocketed. Table 5 gives the salient features of the phenomenal expansion of banking in India after nationalisation.[64]

Table 5: Growth in Banking Deposits (for all Scheduled Banks)		
	Deposits	***Credit*** *(loans and advances, and bills discounted and purchased)*
1947	Rs 969.2 cr	Rs 425.9 cr
1969	Rs 5295.1 cr	Rs 3,799.1 cr
March 2021	Rs 155.9 lakh cr	Rs 108.2 lakh cr

Private banks continue malpractices and frauds

In 1969 and then again in 1980, the government did not nationalise the entire banking sector, but only the larger private sector banks. Thus, in 1969, while there were a total of 22 nationalised public sector banks (including the State Bank of India and its 7 subsidiaries), 36 scheduled banks and 14 non-scheduled banks continued to be in the private sector. Subsequent to nationalisation in 1969, the RBI stopped licensing new private banks; it was only in 1994 that the RBI announced norms for entry of new private sector banks. Since then, it has given permission to 14 new private banks to begin operations.[65]

Despite increased government regulation, private sector banks have continued to indulge in malpractices and quite a few have failed. According to one report of 2018, since 1969, 36 banks have been put under moratorium (that is, ordered to stop operations) and amalgamated with other banks. For instance, the Hindustan Commercial Bank was merged with Punjab National Bank in 1988, Karur Central Bank in Kerala defaulted in meeting its liabilities and was put under moratorium in early 1990s and later merged with Bank of India, and Nedungadi Bank was ordered to freeze operations and later merged with Punjab National Bank in 2002. Among the more high-profile closures is that of the Global Trust Bank. It began operations in 1994. Despite stringent capital adequacy standards of at least Rs 100 crore and a technology platform that even foreign banks did not have, it collapsed after just 2 decades. When it was put under moratorium by the RBI in 2004, it was working with 103 branches and 276 ATMs and had more than 8.5 lakh customers.[66]

The inherent risks associated with private banks is best revealed by the spectacular collapse of Yes Bank. Yes Bank was a new generation private bank, run by supposedly top-notch professionals, which began operations in 2004. Very soon, it gained such an acceptability in the corporate world that it was ranked number one in the Business Today–KPMG Best Banks Annual Survey 2008. In 2014, it was given a ratings upgrade from credit rating agency ICRA and CARE for its various long-term debt programmes. In 2019, it had deposits of Rs 2.1 lakh crore, and had 1,050 branches and 1,724 ATMs.[67] But beneath this facade, the bank's management was making use of "every known fraudulent method, from evergreening of loans to money laundering to round-tripping, to create fake accounts of profitability of the bank and to cheat investors" — to quote from a new book on the story of Rana Kapoor, the founder of the bank. The RBI was aware of what was happening but turned a blind eye to the bank's malpractices. It was only when the bank was on the verge of collapse that it finally took control of the bank in March 2020, superseded the bank's board, capped withdrawals by depositors at Rs 50,000 and announced a revival package for the bank, pushing the State Bank of India to lead the rescue by investing Rs 10,000 crore to keep Yes Bank afloat.[68]

Other prominent private banks, such as Axis Bank and Kotak Mahindra Bank, have also indulged in fudging of accounts and gross mismanagement. In 2016 and then again in 2017, the RBI found that Axis Bank had misreported its financials, an extremely serious offence. The RBI has also shown leniency towards Kotak Mahindra Bank for ignoring its guidelines that have led to undue gains for its promoters.[69]

According to Haseeb Drabu, economist and former chairman of J&K Bank, many private sector banks in India engage in corrupt practices. Drabu in fact says that even though the RBI sits on the board of all these banks, it does not even know who are the major shareholders in many of these banks, as the real owners are hidden behind a web of shell companies in tax havens. This raises doubts that these banks may be engaged in financial malpractices and money laundering.[70]

That private banks are models of efficiency and corporate governance is thus a myth. This is also proven by the behaviour of private banks worldwide. The East Asian financial crisis of 1997 saw numerous private banks going into liquidation. In 2008, the global financial crisis saw the collapse of some of the biggest private sector banks in the developed countries. They were deeply engaged in all kinds of speculative transactions with people's savings. So long as the going was good, everyone was happy, but when the stock market bubble collapsed, the banking system suffered a heart attack. According to an article in *Wikipedia*, 465 banks shut down between 2008 and 2012 in the United States alone. But the Western financial authorities couldn't allow the biggest banks to fail, as that would have led to the collapse of the global banking system, and so they poured in trillions of dollars to bail out the biggest banks, including Merrill Lynch, AIG, Freddie Mac, Fannie Mae, HBOS, Royal Bank of Scotland, Bradford & Bingley, Fortis, Hypo and Alliance & Leicester.[71]

Despite this global and Indian experience, the Modi Government has been gradually laying the groundwork for privatising India's public sector banks ever since it came to power in 2014. In her Union Budget speech of 2021–22, the Finance Minister announced the government's intent to privatise two public sector banks; and in May 2022, news reports said the implementation of this was in an advanced stage.

Being a developed country, the US Treasury was able to dish out trillions of dollars to prevent giant-sized banks like Merill Lynch and Freddie Mac from collapsing. India is a comparatively poor country. The Government of India was able to prevent a meltdown of Yes Bank by getting the State Bank of India to pour in Rs 10,000 crore. But public sector banks are huge. If the Central Bank of India and Indian Overseas Bank are privatised (according to news reports, these are likely to be the first banks to be privatised), and their new owners play fast and loose with the Rs 7 lakh crore people's savings deposited with them (as they are most likely to do), will the Government of India have the wherewithal to bail them out?

Sacrificing national development

As we have pointed out earlier, India's banks were earlier controlled by the country's leading corporate houses. They used the money deposited in these banks for furthering their interests of profit accumulation rather than for national interests. And so the government decided to nationalise the biggest private sector banks. As a RBI report points out: "It was felt that if bank funds had to be channeled for rapid economic growth with social justice, there was no alternative to nationalisation of at least the major segment of the banking system." The RBI report further goes on to say: "The objective (of bank nationalisation) was to serve better the needs of development of the economy in conformity with national policy objectives" by using bank deposits "for furthering the economic development of the country as a whole rather than for certain industries and business houses."[72]

The public sector banks have admirably fulfilled the objectives set out for them. They have mobilised more than a hundred lakh crore rupees of people's savings (see Table 5), and put them at the disposal of the government for investment in national priorities like agriculture, small industries, housing, rural electrification, development of backward areas, infrastructure, and the like. Along with India's public sector insurance companies, they have thus played a key role in India's national development plans.

Privatisation of public sector banks would only mean that the control of these huge amount of savings would once again pass into the hands of private corporate houses for their profiteering.

Part IV: People's Savings Back in the Hands of Crooks

Then why privatisation of insurance–banks?

The Life Insurance Corporation of India has total assets under management exceeding Rs 40 lakh crore. The Indian public sector banks have deposits of more than Rs 100 lakh crore. Together, this amount is nearly 50% of India's GDP for 2023–24 (Rs 301 lakh crore).

- Why is the Modi Government privatising public sector banks and insurance companies, thereby endangering the safety of this huge amount of people's savings deposited with them?
- Why is the Modi Government handing over control of this huge amount of funds to the private corporate houses for their profiteering, instead of using them to advance national development priorities?

That is because the Modi Government is totally beholden to the country's big corporate houses. They liberally financed Modi's election campaign in 2014 (and again in 2019), making Modi's campaign expenditure the highest ever in India's election history, enabling BJP to sweep the elections. They continue to finance the BJP through the opaque electoral bonds scheme.

In return, the Modi Government has transferred enormous amounts of public funds and natural wealth to big corporations and the superrich. Here is a snapshot of some of these transfers:

i) Tax exemptions and cuts

The Modi Government has sharply reduced the corporate tax rates. In September 2019, the FM sharply reduced the base corporate tax rate to 22% from 30%, and to 15% from 25% for new manufacturing companies. While making the announcement, the FM also admitted that this would lead to a loss in direct tax income of nearly Rs 1.5 lakh crore every year.

The steep cut in corporate taxes has made India among the countries with the lowest corporate tax rates in the world. France has a corporate tax of 31% to 33.33%; Germany also a similar net corporate tax rate; corporate taxes in the USA and Canada are around 30%, while in Brazil this is at 34%. Even our neighbour Bangladesh has a 35% corporate tax rate.[73]

Apart from lowering tax rates, the Modi Government has also been giving various tax exemptions to the rich — in corporate taxes, income taxes and excise duties — of several lakh crore rupees every year. An analysis of Union Budget documents reveals that these exemptions total at least Rs 50 lakh crore over the period 2014–23.[74, 75]

ii) Loan waivers

During the first eight years of the Modi Government (that is, 2014–15 to 2021–22), public sector banks have waived loans of at least Rs 12.32 lakh crore.[76] This figure does not include the interest accruing on these loans; including that, the loss would be four times this amount.[77]

Additionally, public sector banks have restructured loans of the 'high and mighty' — a roundabout way of writing off loans — probably of the order of several lakh crore rupees (the actual amount is not known).[78]

Even after all these write-offs, the total non-performing assets (a euphemism for bad loans) of public sector banks were Rs 5.41 lakh crore as of March 2022.[79] Considering the nature of the ruling regime, the great majority of these are also going to be written off very soon.

The beneficiaries of majority of these loan waivers and restructurings are mainly the big corporate houses.[80]

Adding up all these amounts, it means that since it came to power in 2014, the Modi Government has written off, or is in the process of writing off, around Rs 25–30 lakh crore of loans to big corporate houses.[81]

iii) Transfer of national resources & assets to private sector

The Modi Government has handed over control of the country's mineral wealth and resources to private corporations in return for negligible royalty payments, transferred ownership of profitable public sector corporations to foreign and Indian private business houses at throwaway prices, given direct subsidies to private corporations in the name of 'public–private–partnership' for infrastructural projects, and so on. These transfers of public wealth to private coffers have resulted in enormous losses to the public exchequer — of the order of several lakh crore rupees every year!

Thus, during the pandemic, the Modi Government auctioned 19 coal mines at such low rates that it cost several states thousands of crores of rupees in potential revenue.[82]

Even more scandalous is the sale of Air India to the Tatas. In 2021, the Modi Government announced the sale of Air India, its low cost airline Air India Express, and Air India's holding in AISATS, the ground handling company in which Air India is an equal partner along with Singapore Airlines to the Tatas for Rs 2,700 crore. Tatas also took over Rs 15,300 crore of the total debt of Air India amounting to Rs 61,562 crore — according to news reports, Tatas plan to enter into negotiations with the banks for restructuring this debt, and it is likely that a portion of this would be written off by the banks. The remaining debt of Rs 46,252 crore was taken over by the government. (In the Union Budget 2022, the Centre allocated Rs 51,917 crore towards clearing Air India's dues.)

In return for this, Tatas acquired control over the 141-aircraft fleet (including 49 wide-body long-haul jets) operated by Air India and AI Express. Tatas also acquired, in one stroke, control of 4,400 domestic and 1,800 international landing and parking slots at Indian airports, as well as 900 slots at airports overseas. The total assets thus acquired by the Tatas are worth a few lakh crore rupees!

Following the completion of the deal, Tatas also managed to get a loan of Rs 23,000 crore from a consortium of public sector banks at an interest rate of 4.25%, to finance the Air India deal as well as for working capital.[83] It is also possible that a part of the loans being provided by banks to Air India as working capital will also be waived. And just as we were finalising this booklet, news reports said that Tatas are borrowing another Rs 18,000 crore to refinance the existing debt of Air India.[84]

All this only means that the restructuring / waiver of the Rs 15,300 crore debt of Air India taken over by the Tatas has begun.

Assuming that the public sector banks eventually waive half of the Air India debt taken over by the Tatas, this effectively means that the Centre has handed over Air India and AI Express to the Tatas for free, and in addition has also put in [51,917 + (15,300/2) – 2,700 =] Rs 56,867 crore of public money to consummate the deal.

This is the case with each and every public sector unit being privatised by the Modi Government — each of these public assets has been sold at heavily discounted prices to foreign and Indian private corporations. So, when the government claims that it is hoping to earn Rs 51,000 crore in disinvestment income in 2023–24, actually in this process the (notional) loss to the public exchequer is going to be of the order of Rs 5 to 10 lakh crore and maybe even more.

The Modi Government has also launched a scheme to 'lease' out Rs 6 lakh crore worth of physical assets, like railway lines and stations, telecom systems, power transmission lines, oil and gas pipelines, roads, bridges, ports etc., to private entities, over four years (2022–25). The actual value of these assets, so painstakingly built over the years, is obviously going to be many times more than this amount. These so-called 'leases' will run for up to 40 years. This is actually sell-off disguised as lease! According to media reports, the private entities taking over these assets are gigantic funds, based in developed countries, who seek to invest their billions globally for quick and juicy returns. So, they will not be interested in maintaining or improving the health of the assets being leased out to them by the 'nationalist' government ruling Delhi, but will seek to maximise their return in the shortest possible time.[85]

As if this was not enough, now the Modi Government is handing over control of people's savings — totalling more than Rs 140 lakh crore, an astronomical sum — to these 'crooks', 'scoundrels' and 'fast operators', for their profiteering, putting their very safety at risk!

Assault on people's livelihoods

It is because of these astounding transfers of public money to the coffers of the rich that the number of billionaires in the country has gone up by three times during the Modi reign (from 56 in 2014 to 166 in 2022);[86] and Modi's 'friends' have joined the ranks of the richest people in the world. The wealth of just the top 10 richest people in the country stands at Rs 27.52 lakh crore — an amount that is equivalent to 10% of the country's GDP (for 2022). And the top 1% people of the country have cornered more than 40% of the country's wealth.[87]

To compensate for the loss in government revenue due to the massive transfer of public funds to the coffers of the rich, the Modi Government is resorting to increased indirect taxes. It has imposed GST on items of daily consumption of the common people, including food, and high taxes on petrol and diesel. The burden of these indirect taxes falls disproportionately on the poor — a recent Oxfam report points out that the bottom 50% of the population pays six times more in indirect taxes as a percentage of income compared with the top 10%.[88] These high indirect taxes are also the most important reason behind the spiralling inflation — which too hits the poor the hardest.

More than 92% of the country's population is employed in the informal sector, which includes agriculture, small-scale retail and micro & small enterprises. This sector contributes to around 45% of the GDP. The Modi Government has launched an offensive to decimate this sector so that the big corporate houses can take control it. This is the real reason for unemployment climbing to its highest level in the past several decades. While a panicky government has stopped releasing unemployment figures, CMIE surveys show unemployment to be at a record high of 7–8% for the last three years. Including the workers who have stopped searching for jobs out of frustration, and the underemployed working in precarious jobs and earning subsistence wages, the unemployment rate goes up to a shocking 50% or even more.[89]

All this has pushed crores of people into destitution. Basing themselves on the limited data released by the Modi Government, economists Santosh Mehrotra and Jajati Keshari Parida found that the total number of people below the poverty line (the official poverty line estimated by the Planning Commission in 2012, updated to 2020 by adjusting it for inflation) has risen over the Modi years – from 26.98 crore in 2022-12 to 34.63 crore in 2019-20. It is the first time since independence that poverty has increased in the country.[90]

This is also borne out by other data. According to the latest (2022) 'State of Food Security and Nutrition in the World (SOFI)' report published jointly by five UN organisations, about 56 crore people, 40.6% of the population, in India suffered from moderate or severe food insecurity in 2019-21. This figure was 36.4 crore (27.5% of the population) in 2014-16. That is a huge increase.[91]

The Global Hunger Index 2022 ranks India at a lowly 107 out of 121 countries.[92]

There is absolutely no doubt that the Modi Government is the most anti-people government to have come to power at the Centre since independence.

Let's Stand Up and Be Counted!

Down, down at the bottom
Ya gotta try to get yourselves up
Ya got nothing to lose when your there
There at the bottom
Ya gotta stand up
Stand up for your rights
We can make it
You can break it
Stand up
Stand up be counted !

Indeed! Let us stop being sceptics, dream of a better future, and STAND UP! However powerful the Modi Juggernaut may appear, let us have belief in ourselves, and belief in the common people, that we can all unite and fight this offensive launched by the Modi Government together with the corporate houses to destroy our livelihoods and maximise their profits. Let us make a beginning, by starting our own small struggles. We also need to participate in the local struggles being waged by people all across the country on their specific demands, from farmers and workers, to students and teachers, to the bank and insurance employees.

It is a difficult fight, but there is no need to despair. We are living in a rapidly changing world, in a world that is full of surprises. Who would have thought even a year ago that the Congress would seriously strive to 'reinvent' itself, and for this Rahul Gandhi would undertake a 3,500 km 'Bharat Jodo' padyatra to re-connect the party with the common people, and that the yatra would attract such a stupendous response from the people! To the extent that the Congress and other opposition parties are willing to take a firm stand against the pro-corporate anti-people agenda of the Modi Government, and fight for a pro-people agenda, let us also support and strengthen them.

These are obviously short-term goals. While engaging ourselves in these struggles, let us also raise the awareness of the people that in the long term, it is possible to build a new society that organises economic activity not for the maximisation of profits of the big corporate houses, but to meet the needs of people to lead decent, fulfilling, secure, and to the extent possible, creative lives. Revolutionary movements in Venezuela, Bolivia and Nicaragua have succeeded in coming to power through democratic means and are seeking to build such societies. If they can do so, so can we, some day ...

We shall overcome

We shall overcome

We shall overcome, some day ...

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About Us: Lokayat

It is in keeping with this perspective that some years ago, we started this forum, *Lokayat*. Since its inception, Lokayat has organised innumerable programs to make people aware of the real reasons behind the deepening economic crisis gripping the country—the neoliberal economic policies being pursued by the government at the behest of the WB–IMF, and motivate them to unite and raise their voices in protest.

Of late, Indian society is facing another serious crisis — of fascism. The rapid growth of fascist forces in the country is threatening the very conception of India as a secular, democratic and socialist republic as visualised by our country's founders and enshrined in the Constitution of India. To fight the twin dangers of corporatisation and fascism, Lokayat has been striving to form joint platforms with like-minded groups across the country to spread awareness amongst the people about the values of the Indian Constitution and mobilise people to unite to fight the fascist threat looming over the country. At the same time, Lokayat is also doing its little bit in strengthening the anti-BJP political parties in the country.

Lokayat has organised umpteen programs to raise public awareness about the neoliberal fascist danger, including seminars, film screenings, song concerts, street campaigns, street plays, poster exhibitions, solidarity hunger fasts and rallies–dharnas, on the following issues:

i) Making people aware of their Constitutional duties outlined in Article 51A of the Constitution, that call upon the citizens

- to cherish the noble ideals that inspired our freedom struggle, including the values of freedom, equality, democracy and secularism;
- to promote fraternity amongst all the people transcending religious, linguistic and regional or sectional diversities;

We believe that true nationalism means upholding these ideals and values.

ii) Making people aware that the Constitution also contains directives to all future governments regarding the policies that they need to pursue. These are included in Part IV of the Constitution, also called the Directive Principles. Explaining the reasons for their inclusion in the Constitution, Dr Ambedkar stated: "Our intention is (that) …

even under hard and unpropitious circumstances, (future governments shall) always strive in the fulfilment of these Directives." The Directive Principles direct the State to strive to:

- build an egalitarian society; ensure that there is no concentration of wealth; ensure that all citizens have the right to an adequate means of livelihood that ensures them a decent standard of living; ensure availability of adequate healthcare and nutrition to all citizens without discrimination; and, provide equitable and good quality education for all children.

Dear friends, if you would like to know more about us, or participate in our activities, you may contact us at any of the addresses given on the last page of this booklet.

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The Modi Government is seeking to privatise the public sector LIC.

Private sector insurance companies focus more on:

- Selling high premium policies to the rich in big cities to maximise their profits;
- Engage in speculative investments and unethical practices;
- Because of which hundreds of private insurance companies have gone bankrupt in US and Europe!

Before 1956, insurance in India was entirely in the private sector. Frauds and bankruptcies forced the Nehru Government to nationalise 245 private insurance companies and establish the LIC.

The LIC is one of the best run insurance companies in the world. Because of its public sector nature, the LIC has:

- Considered insurance to be an essential social service;
- Kept the premiums low;
- Focussed on taking insurance to the poor, in rural areas; and
- Invested people's money securely and for national development.

Total people's money deposited with the LIC exceeds Rs 40 lakh crore.

Modi Government is privatising public sector banks too – whose deposits exceed Rs 100 lakh crore.

Why is the Modi Government privatising the public sector LIC and banks, thereby

- Endangering the safety of this money?
- Handing over control of this money to private corporations for their profiteering, rather than using it for national development priorities?

LOKAYAT

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