AIBEA's Banking News

12 TO 17 JULY 2019

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

S.N.	Banks	Advances		
	NATIONALISED BANKS	2017	2018	2019
1	Allahabad Bank	1,50,753	1,52,061	1,42,212
2	Andhra Bank	1,36,846	1,49,064	1,58,823
3	Bank of Baroda	3,83,259	4,27,432	4,68,819
4	Bank of India	3,66,482	3,41,380	3,41,006
5	Bank of Maharashtra	95,515	85,797	82,666
6	Canara Bank	3,42,009	3,81,703	4,27,727
7	Central Bank of India	1,39,399	1,56,542	1,46,525
8	Corporation Bank	1,40,357	1,19,869	1,21,251
9	Dena Bank	72,575	65,582	51,959
10	Indian Bank	1,27,699	1,56,569	1,81,262
11	Indian Overseas Bank	1,40,459	1,32,489	1,32,598
12	Oriental Bank of Commerce	1,57,706	1,36,368	1,59,285
13	Punjab & Sind Bank	58,335	66,569	69,176
14	Punjab National Bank	4,19,493	4,33,735	4,58,249
15	Syndicate Bank	1,99,669	2,10,684	2,05,044
16	UCO Bank	1,19,724	1,07,470	99,314
17	Union Bank of India	2,86,467	2,88,761	2,96,932
18	United Bank of India	66,139	62,490	66,955
19	Vijaya Bank	94,549	1,16,165	1,30,606
	TOTAL OF 19 NATIONALISED BANKS	34,97,434	35,90,730	37,40,409
1.	State Bank of India (SBI)	15,71,078	19,34,880	21,85,877
2.	State Bank of Bikaner & Jaipur	64,830	Merged	Merged
3.	State Bank of Hyderabad	79,376	Merged	Merged
4.	State Bank of Mysore	34,475	Merged	Merged
5.	State Bank of Patiala	70,019	Merged	Merged
6.	State Bank of Travancore	48,618	Merged	Merged
	Other Public Sector Banks			
1	IDBI Ltd	1,90,826	1,71,740	Pvt bank
2	Bharatiya Mahila Bank	576	Merged	Merged
	TOTAL OF PUBLIC SECTOR BANKS	55,57,232	56,97,350	59,26,286

Growth issues: One in three Indian children will exhibit stunting by 2022

The Financial Express | July 12, 2019

THE FINANCIAL EXPRESS

Many researchers make particular note of the poverty trap in India's malnutrition story—a malnourished mother gives birth to a weak and a stunted child, and thus malnutrition is passed on from one generation to another.

Malnutrition fell at the rate of 1% per year over the past decade, the slowest decline amongst emerging economies

The Food and Nutrition Security Analysis of India, 2019, a report by the Government of India and UN World Food Programme, says that, by 2022, 31.4% of Indian children—or nearly one in three—will exhibit stunting. Findings of the report, a base line analysis in assessing India's progress in meeting the second Sustainable Development Goal (tackling hunger), mean that the efforts under the National Nutrition Mission (NNM) that aims to contain prevalence of stunting in children to 25% must be significantly stepped up. Malnutrition fell at the rate of 1% per year over the past decade, the slowest decline amongst emerging economies. For the government to meet the SDG target, it must fall by 2 ppts per year.

Many researchers make particular note of the poverty trap in India's malnutrition story—a malnourished mother gives birth to a weak and a stunted child, and thus malnutrition is passed on from one generation to another. Given how under-nutrition affects a child's cognitive growth, resulting in the child getting left behind, the poverty cycle is also continued. The poorest 30% of the population have an average per capita consumption of 1811 kCal/day vs the advised normal of 2,155 kCal/day. There is also disparate effect of stunting across Indian states—Bihar and UP have one in two children stunted, whereas, Kerala and Goa have one in five children stunted. Communities such as SCs and STs (42.5% and 43.6%, respectively) are also at a bigger disadvantage compared to other communities. As an article in The Hindu notes, only 16% of the total funds allocated to the Poshan Abhiyan (NNM) have been used so far. The government must double its efforts and, most importantly, improve accessibility for all communities.

PSU Banks Shouldn't Chase High Growth Yet As Clean-up Is Still On, Says SBI Chief Rajnish Kumar Shefali Malik @shef_malik July 12 2019, 9:18 AM July 12 2019, 9:18 AM Public sector banks should be cautious about chasing growth even as balance sheets are improving, according to State Bank of India Chairman Rajnish Kumar. Most public sector banks took the last one year to repair their books and may

India ditches data dialogue again

Amitendu Palit | July 12, 2019

THE FINANCIAL EXPRESS

The sensitivity about protection of data is clearly not the main reason behind some developing countries staying away from global digital trade work programmes

One of the most profound truths to emerge over the last couple of decades is the sharp heterogeneity amongst the developing world

India abstained from signing the Osaka Declaration on Digital Economy at the G20 Summit last week. South Africa and Indonesia were the two other G20 members rallying with India. Some analysts might feel that the abstaining reflected a broader developing country reservation on participating in efforts to shape global digital trade rules. It is certainly not so.

One of the most profound truths to emerge over the last couple of decades is the sharp heterogeneity amongst the developing world. The latter can no longer be visualised as homogeneous. Multiple developing countries now have interests in global trade that are similar to those of their developed counterparts. Nowhere is this more visible than in regulations on e-commerce and cross-border data flows. Positions taken at Osaka are testimony to the aligning of interests between the developed and developing, as well as differences among developing countries.

Large developing countries and emerging markets—Argentina, China, Brazil, India, South Africa, Indonesia—are walking on different paths on digital trade. The first three have joined the Osaka Track, while the other three have not. The former, along with Russia, are also participating in the informal talks on global e-commerce rules that were launched by almost 80 World Trade Organisation (WTO) members earlier this year on the sidelines of the World Economic Forum meeting at Davos in Switzerland. The difference among these large developing countries, some of which are among the world's top-10 economies (i.e. China, India, Brazil, followed closely by Indonesia), on digital trade governance is striking.

Both China and Brazil endorsed the Osaka Declaration for working with other G20 members to achieve a high-standard global agreement on digital trade and e-commerce. This might convey the impression that they have identical domestic data governance policies reflecting a tendency towards liberal cross-border data flows. China's data policies are primarily restrictive, certainly when compared with Brazil. China, much like Russia, is a unique example of large economies displaying a tendency to ‘accommodate’ their commitment to working on global rules for e-commerce with a pronounced hesitation to agree on free flow of cross-border data. In spite of aiming to work with other WTO members on developing rules on trade-related aspects of e-commerce, in its latest submission to the WTO on the subject, China insists on more discussions before including data flows, storage and management as part of e-commerce talks. This is in line with China’s cybersecurity regulations that insist on a large amount of personal data to be stored within China with very restricted scope of cross-border flow. Russia’s data localisation laws, which have come into force a few years ago, impose strict conditions on agencies to store personal data within Russia.

India’s Personal Data Protection Bill, once introduced in the upcoming session of Parliament, would reflect the degree by which Indian authorities insist on localisation. The scope of the latter is primarily defined by what national agencies construe as personal data. Whether the Indian localisation rules would be comparable to those in Russia or in some other emerging markets like Indonesia is a different discussion.

The bigger point, though, is the dichotomy between developing countries in their willingness to engage in global digital trade rule talks. India and Indonesia are unwilling to do so. China, Russia, and even Nigeria, which has fairly strict data laws and mandates all government data to be located within the country, are participating in talks and are committed to the Osaka Track. Vietnam is another example of a developing country participant in both global e-commerce talks and a signatory to the Osaka Track despite bringing in hard data rules.

The sensitivity about protection of data, therefore, is clearly not the main reason behind some developing countries staying away from global digital trade work programmes. Many developing countries are committing to such initiatives notwithstanding tough domestic data protection laws.

India is a notable exception. While it is yet to introduce a domestic data protection framework, it is conspicuously disengaging itself from all ongoing digital trade rule-making efforts. There's clearly more than the urge to protect data that is driving India's position.

Perhaps the explanation behind India's posture can be gleaned from its latest submission on June 3, 2019, jointly with South Africa, on the WTO's ongoing work programme on e-commerce. The submission argues for discontinuation of the moratorium on imposition of customs duties on e-commerce transactions enabling 'willing' WTO members to impose customs duties on electronic transmissions, such as software and digital products. India and South Africa alluded to Indonesia's policies for doing so in support of their argument leaving no surprise behind their common posture at Osaka.

None would mind India, and others, acting in their own national economic interests. The problem would arise if the former would expect others to support major proposals that might serve only interests of a few. Several developing countries are keen on participating in global digital trade and are not interested in discontinuing the moratorium on e-commerce.

They would want digital trade to happen seamlessly and without restrictions as far as possible. That's precisely why engage in global e-commerce talks and support the Osaka Track. By staying away from both, India might convey the signal that its justification for disengaging with global efforts is more for pure self-interests, and not with a greater welfare objective for developing countries.

IMF says it won't soften its suggestions to a Lagarde-led ECB

Bloomberg | July 11, 2019
THE FINANCIAL EXPRESS

In the review, the IMF said that the ECB "should consider further accommodative measures" if the inflation outlook deteriorates. It added that a deeper downturn may require fiscal support for the economy

A recent research study found that IMF advice may have been more influential at the ECB than other central banks, especially when it started moving toward unconventional monetary easing

One of Christine Lagarde's chief experts on the euro-area economy said the International Monetary Fund won't treat the European Central Bank any differently under her leadership. Lagarde is pegged to leave the Washington-based fund to replace ECB President Mario Draghi after his term ends this October. The deputy director of the IMF's European department said Thursday that his team will retain its independent and impartial view.

"Our own thinking, our own suggestions will not change with the change of power at the ECB," Mahmood Pradhan said on a conference call for the publication of the IMF's latest report on the euro area. He added that while Lagarde did present a summary of the conclusions at a meeting with finance ministers in June, she didn't chair a board meeting on the report.

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A recent research study found that IMF advice may have been more influential at the ECB than other central banks, especially when it started moving toward unconventional monetary easing. Pradhan also said that Lagarde's stance at the ECB will likely be guided by the external environment, when asked about his expectations for her appointment.

"For any person taking over the presidency of the ECB, the primary factor will be the reality on the ground," he said. "What is the outlook for inflation and what is appropriate policy response? Our Managing Director, Christine Lagarde, I have no doubt that she will pay equal attention to the ECB's objective that we have seen from the current president."

Essar Steel: Miffed by NCLAT order, lenders may seek IBC amendment

Our Bureau Mumbai | July 11, 2019

THE HINDU BusinessLine

Banks may also move Supreme Court against ruling

Disappointed with the ruling of the National Company Law Appellate Tribunal (NCLAT) in the Essar Steel case, its lenders are mulling various options such as moving the Supreme Court and seeking an amendment to the Insolvency and Bankruptcy Code (IBC).

Sources said bankers are likely to discuss the options with the Finance Ministry and push for amendments to the IBC to ensure that secured creditors get priority in the resolution process.

"Since resolution is not taking place on time in most cases, and banks are subsequently forced to take huge haircuts, what is the point of using the IBC route?" asked a senior bank executive.

The NCLAT earlier this month approved a Rs.42,000-crore bid placed by ArcelorMittal to take over the stressed Essar Steel. But the lenders will have to take a larger haircut than originally planned, as the NCLAT said secured creditors will get only 60.7 per cent of their Rs.49,473-crore claims while the rest will go to operational creditors, who will be treated on par with financial creditors.

"What is troubling is that secured, unsecured and operational creditors have been ranked at par. We will see further action in the Supreme Court going forward," said Rajiv Anand, Executive Director, Axis Bank, on Thursday.

This issue was also raised by SBI Chairman Rajnish Kumar on Wednesday evening when he said the lenders will appeal to the Supreme Court against the NCLAT order. SBI is the lead lender to Essar Steel.

"Let us see what works. There have been amendments to the IBC in the past and, if required, there can be more. Let us be patient," Kumar told reporters.

Disincentive for lenders

Placing operational creditors on par with secured financial creditors can be a disincentive, he noted. "We are a different class of creditor," he said, adding that in liquidation, lenders are the top priority along with employees.

He warned that the ruling may make bankers hesitant to use IBC provisions to resolve stressed assets in future. He expressed hope that the Supreme Court will provide some clarity once they challenge the NCLAT's Essar Steel order.

India should borrow overseas in Re, not $

Ajay Marwaha | July 11, 2019

THE HINDU BusinessLine

It is a fallacy to assume that dollar borrowing is advantageous. Sovereign borrowing in rupee will help corporates follow suit

The Finance Minister in her Budget speech last week touched upon the possibility of the government raising debt from overseas investors via an international debt issuance.

In the context of the country's liquidity and credit situation, there could not be a better time to take this route. With the demise of IL&FS in the third quarter 2018, and the massive collateral damage to the domestic credit markets — vulnerability of large balance sheets has been exposed to extremely constrained liquidity channels.

This has led to the circumstances fast leading to the apparent liquidity crisis, transforming into a credit crisis.

A quick glance at the fast widening credit spreads for high yield Indian bonds, and the absence of a viable capital market route for most NBFCs through the first two quarters of 2019 compounded matters. Hence, after the ECB rules were revised in January 2019, borrowers have been scurrying to raise offshore debt.

However, since the guidelines of January 2019, less than $1.6 billion has been raised from offshore Investors — almost six months post this relaxation, which is a drop in the ocean.

The domestic capital markets are expected to support a $275-$300 billion issuance through FY 2020 as per current estimates. Of this the Budget estimates are for $105 billion of government bonds, approximately $65 billion of State government borrowings and circa $110 billion of Corporate India's capital market dependence.

Potential USD bond costs
(Govt of India USD bonds)

Expected USD borrowing cost *(under current market conditions)*	Equivalent swap cost to convert to INR	Expected annualised Cost of USD Issuance *(in ₹)*
3.25-3.50%	4.75-5.0%	8.0-8.50%

Potential INR Bond
(Masala costs)

INR 10 year yield annualised onshore	Equivalent USD Yield	Expected annualised Cost of Masala Issuance *(in ₹)*
6.60%	1.90%	6.50-6.75%

Corporate options

Corporate India needs rupees and will be happy to stay away from needless introduction of currency risks in their book.

Hence the natural preference to borrow through the rupee-denominated offshore borrowing format (announced with such fanfare by PM Modi in 2015 as Masala Bonds in his address at the Wembley arena in London).

So how do we encourage the international lender to lend in rupees?

The lenders in question, mostly large asset managers and international emerging market funds, almost unanimously complain of the lack of liquidity and availability of appropriate benchmarks when it comes to attempt to price and trade Indian corporate credit in the international markets. They also complain on the lack of an "established yield curve" on Indian bonds, particularly rupee bonds.

The introduction of an Indian Sovereign Bond Issuance in rupees thereby mitigates quite a few significant Investor concerns. One would expect a $3 billion — 5year/7year/10year issuance in rupee denominated government issued masala bonds (say $1 billion per tranche) as one of the methods of accessing the international capital markets. At present levels, one would expect the same to be priced in the 6.50-6.75 per cent range in rupee coupon terms.

The availability of a liquid tradable rupee sovereign yield curve in euro-clearable bonds and the utilisation of this offshore Sovereign Bond rupee (or Masala curve) will enable corporate India to follow suit. The opening up of this liquidity channel, reduces the pressure on the domestic credit markets and imparting much needed liquidity, particularly to the NBFC channel which really needs rupee liquidity and not introduction to currency risk via dollar borrowings.

Not cheaper to borrow in dollar

One of our biggest misconceptions on borrowing is that dollar borrowing costs are lower than rupee borrowing costs. The fallacy is in confusing "Coupon" with "Cost", assuming incorrectly parity between dollar and rupee coupons and costs.

Whereas, it is indeed true that the coupon or interest payable in dollars to investors will be lower for dollar borrowings, it is imperative to look at this as "swapped to rupee" to compare effectively against the cost of a potential rupee issuance. Hence that 3.25-3.50 per cent actually may "swap to" an approximate 8.0-8.50 per cent rupee or so. Not only is it "cheaper" to raise rupees but the massive attendant benefits of opening up the international pool of fixed income capital in rupee denomination for various domestic issuers must be the icing on the cake.

So Finance Minister Sitharaman has done well to make the announcement in this regard. It is important that the approach towards the international fixed income markets is a calibrated one — in the most desired currency and at the "cheapest effective costs".

Iran trade: UCO Bank assures all help to exporters

LN Revathy Coimbatore | July 11, 2019

THE HINDU BusinessLine

The bank has increased the number of such designated branches (for doing business with Iran) from 22 to 67

UCO Bank is making all efforts to ensure that exporters who do business with Iran can approach its designated branches for help.

The bank has increased the number of such designated branches (for doing business with Iran) from 22 to 67. It is now contemplating to set up an apex processing centre across its branch network (comprising 3,000+ branches) to help exporters. "This could take another six-seven months," a top bank official said.

On the sidelines of exporters' meet organised jointly by the Federation of Indian Export Organisations (FIEO) and UCO Bank, UCO Bank Managing Director Atul Kumar Goel said the bank would need to train its personnel both at the branch and treasury levels on procedural compliance for doing business with Iran.

Discussing the present trends in the global trade, banking-related issues of exporters, and facilitation initiatives taken by the government, Goel said: "The government is giving a thrust to export finance. UCO Bank facilitates and promotes export finance. As many as 14 Iranian banks have opened Indian Rupee Vostro Account with UCO Bank."

Explaining the significance of Iranian banks opening account with UCO Bank in India, he said: "Whenever we import oil, the money is paid by the oil companies in India and credited to this account. That bank will send this Indian rupee to the bank in Iran and the payment to the exporter will be made in Iranian rial."

"All payments are in Indian currency and no foreign currency is involved. UCO Bank acts as an agent of the Iranian Bank while making the payment," Goel said, and pointed out that around Rs.1,000 crore was stuck between January 16, 2016 and May 4, 2018 due to secondary sanctions.

Goel said export opportunities to Iran are huge. Credit is extended at competitive rates and will not be a constraint for exports, he added.

PNB fraud case: ED attaches Mehul Choksi's assets worth Rs 24.77 cr

PTI | July 11, 2019

THE HINDU BusinessLine

Choksi, diamantaire Nirav Modi and others are being investigated by the ED and other probe agencies in the bank fraud case

The ED on Thursday said it has attached assets worth Rs 24.77 crore in India and abroad of fugitive diamond jeweller Mehul Choksi, accused in the over Rs 13,000 crore PNB loan fraud and money laundering case. The attached properties include three commercial assets based in Dubai, a Mercedes Benz car and a number of fixed deposits in bank accounts in the country and outside, the agency said.

The total value of the attached properties is Rs 24.77 crore, it said.

According to the statement, a provisional order under the Prevention of Money Laundering Act (PMLA) has been issued, the Enforcement Directorate said in a statement. Out of the total proceeds of crime worth Rs 6,097.73 crore, the ED has attached and seized properties worth Rs 2,534.7 crore, including this attachment, it said.

Choksi, diamantaire Nirav Modi and others are being investigated by the ED and other probe agencies in the bank fraud case.

The fraud came to light early last year after a complaint by the PNB that they allegedly cheated it to the tune of over Rs 13,000 crore, with the purported involvement of a few employees of the bank.

The CBI and the ED have registered two FIRs each to probe the case.

Both Choksi and and his nephew Modi left the country before criminal cases were lodged against them.

Choksi is at present based in the Caribbean nation of Antigua. India has sought his extradition from that country and an Interpol arrest warrant has also been issued against him.

Mallya gets no respite from HC on asset-seizure proceedings

PTI Mumbai | July 11, 2019

He is currently in the UK, has been charged by the Enforcement Directorate for defaulting on Rs. 9,000 cr bank loans

The Bombay High Court on Thursday refused to grant stay on proceedings before a special court on confiscation of properties of embattled liquor tycoon Vijay Mallya.

A division bench of Justices Akil Kureshi and S J Kathawalla dismissed an application filed by Mallya last month, seeking a stay on the proceedings before the special court hearing cases pertaining to the Prevention of Money Laundering Act (PMLA).

Mallya, in his application, sought for a stay on the proceedings, or that any decision or order passed by the lower court during the proceedings shall be subject to the final decision on his another petition challenging the validity of the Fugitive Economic Offenders Act.

The court, however, said it did not find any reason to grant the relief sought by Mallya.

On January 5 this year, the special PMLA court here declared Mallya a fugitive economic offender.

The court then started proceedings for confiscation of his properties.

Mallya approached the high court against the order and also challenged the constitutional validity of the Fugitive Economic Offenders Act.

This petition is pending hearing in the high court.

Mallya, who is currently in the UK, has been charged by the Enforcement Directorate (ED) of defaulting on bank loans to the tune of Rs. 9,000 crore.

Housing affordability has worsened over the past 4 years: RBI survey

Our Bureau Mumbai | July 11, 2019

The Hindu BusinessLine

Housing affordability has worsened over the past four years as the house price to income (HPTI) ratio increased from 56.1 in March 2015 to 61.5 in March 2019, according to the Reserve Bank of India's quarterly residential asset price monitoring survey (RAPMS) on housing loans disbursed by select banks/housing finance companies (HFCs) across 13 cities.

Mumbai (with a HPTI of 74.4) remains the least affordable city in India, while Bhubaneswar (54.3) remains the most affordable city, the RBI said. The HPTI ratio reflects affordability.

The movement of median loan to income (LTI) ratio also confirms worsening housing affordability as it moved from 3 in March 2015 to 3.4 in March 2019.

The LTI ratio in the case of Mumbai in March 2019 was the highest among 13 cities at 4 (3.4 in March 2015) and the lowest in the case of Lucknow at 2.7 (2.5).

The median LTV (loan to value) ratio moved from 67.7 per cent to 69.6 per cent between March 2015 and March 2019, showing that banks have become increasingly risk-tolerant. LTV is the amount of loan a lender is willing to give and is calculated in terms of the percentage of the property value.

The median EMI-to-Income (ETI) ratio has remained relatively steady during the past two years (38.2 in March 2019 against 38.4 in March 2018); however, Mumbai (43.3), Pune (40.7) and Ahmedabad (43.5) recorded higher median ETI compared to other cities.

Financial services sector emerges biggest overseas borrower in Apr-May at $3bn

NARAYANAN V Chennai | July 11, 2019

THE HINDU BusinessLine

The financial services sector, led by non-banking lenders and housing finance companies (HFCs), was the largest overseas borrower in April-May period of the the current financial year amid tight liquidity conditions in the domestic market.

According to the RBI data on external commercial borrowings (ECBs), Indian corporates raised $6.7 billion in loans overseas (including via approval and automatic routes) in the first two months of FY20. Of the total borrowing, the share of financial sector stood at $3 billion or 45 per cent of the total ECBs.

"Tight liquidity condition in domestic markets has forced various NBFCs (non-banking finance companies) and HFCs to explore alternate funding sources and ECB has emerged as an alternate funding avenue," said Anil Gupta, Vice-president & Sector Head-Financial Sector Ratings, ICRA.

In FY19, India Inc's external borrowing had touched a record $42 billion, of which borrowing by the financial services sector stood at around $14 billion (including for refinancing of earlier ECBs). The spike in ECBs was driven by big-ticket borrowings by ArcelorMittal India ($5.03 billion) and Reliance Industries ($1.5 billion) in March 2019. Besides, a slew of rationalisation measures taken by the Reserve Bank of India (RBI) also helped more Indian companies tap overseas funds.

In April 2018, the RBI expanded the list of eligible borrowers to include HFCs and Port Trusts to borrow overseas under the automatic route. Earlier this year, the central bank also rationalised the ECB framework and removed the sector-wise borrowing limits to enable all eligible borrowers to raise ECBs up to $750 million.

“To strengthen the liability management, non-banks are tapping alternative sources of funding such as issuances of retail bonds, securitisation and ECBs, among others,” said Miren Lodha, Director, CRISIL Research.

However, he added that the share of ECBs in the overall non-banking borrowing mix remained lower than 5 per cent as of fiscal 2019.

Besides bridging the liquidity gap, ECBs also help non-banking financial companies to diversify their loan mix and to optimise the cost by borrowing offshore loans at lower interest rates.

“ECB helps us to diversify our borrowing source but currently it is very insignificant with 9 per cent of our overall borrowing,” said a spokesperson of Shriram Transport Finance Corporation, an NBFC that provides commercial vehicle financing.

The spokesperson also added that depending on the market conditions and investor appetite, the company may evaluate raising further ECBs up to $500 million (under approval route) during the current fiscal.

“We expect financial sector entities to explore ECB as a source of funding in the current fiscal also. Overall, we expect ECBs to remain upwards of $33 billion during FY20,” Gupta said.

Micro-loans jump 40 per cent to over Rs 1,78,587 in FY19

PTI Mumbai | July 11, 2019

THE HINDU BusinessLine

Bihar saw the highest growth at 54 per cent in FY19

The microfinance industry’s total loan portfolio grew 40 per cent to Rs 1,78,587 crore in FY19, with top 10 states accounting for 83 per cent of the gross loan portfolio, says a report.

In FY18, total loan portfolio of the industry had stood at Rs 1,27,223 crore.

“Market share of top 10 states in portfolio outstanding at Rs 1,48,440 crore is 83 per cent as of March 2019,” according to a joint report by Equifax and Small Industries Development Bank of India (SIDBI).

Bengal and Tamil Nadu contributed 34.7 per cent of the top 10 states. Followed by Bihar, and Karnataka are having portfolio of over 15,000 crore, indicating a highly concentrated market.

Bihar saw the highest growth at 54 per cent in FY19.

SIDBI chairman Mohammad Mustafa said, “growth in the overall microfinance portfolio is encouraging.”

In FY19, fresh loan disbursal stood at Rs 213,074 crore, an increase of 36 per cent over FY18, while disbursal in terms of volume grew 20 per cent.

NBFC-MFIs hold the largest share of portfolio in micro-credit with total loan outstanding of Rs 68,156 crore, accounting for 38 per cent of the total industry portfolio.

Delinquency level improved across all the days past due buckets. Portfolio at risk, which indicates the early delinquency rates, has come down from 4.74 per cent in FY18 to 1.40 per cent in FY19.

Risk level in the 60-89 days past due bracket has come down from 2.41 per cent in FY18 to 0.24 percent in FY19, the report said.

The industry is present in 619 districts and the top 30 districts comprised 25 per cent of portfolio outstanding whereas 213 districts contributed 80 per cent of the portfolio.

U.S. Secretary of Commerce Wilbur Ross says changing FDI in e-commerce rules troubling to American firms

Sriram Lakshman
WASHINGTON DC, JULY 12, 2019
THE HINDU

Walmart had invested $16 billion in e-commerce company Flipkart in 2018. Mr. Ross described the e-commerce FDI rules as "something of a surprise" to Walmart

U.S. Secretary of Commerce Wilbur Ross said India's decisions relating to Walmart and Amazon, [i.e., its FDI in E-commerce policy , announced in December 2018] had caused "a lot of concern" to other companies considering investing in India. Mr Ross's remarks were made during a discussion in Washington DC at the US India Partnerships Forum's second annual leadership summit.

Walmart had invested $16 billion in e-commerce company Flipkart in 2018. Mr. Ross described the e-commerce FDI rules as "something of a surprise" to Walmart. He also said Walmart intended to continue to invest in India.

"I don't mean to suggest that they're withdrawing, that's not what they've told me," Mr. Ross said.

He said that investors going into a country need to know that there would be "stability" in regulation, "transparency", an opportunity to comment on new, pending regulation and that there "wouldn't be wild changes in policy."

Praises India's LNG stance

Mr. Ross praised India's arrangements for receiving liquefied natural gas (LNG) from the US.

"They have been very good and very aggressive about working with us toward making the commercial arrangements for LNG to come in from the U.S.," Mr. Ross said, adding this was good for India because the U.S., he said, is an "extremely competitive source" of the fuel and it would help reduce the U.S.'s trade deficit with India.

The US was hoping to remedy, over time, the fact that it had a trade deficit in goods as well as services with India, Mr. Ross said, saying that normally it had a deficit in goods but a surplus in services with other countries.

Mr. Ross repeated a message he delivered in Washington DC to the U.S. India Business Council, an industry body, in mid-June: India's average applied rate of tariffs was high and this was also impacting Indian companies by stifling competition.

He said the US would hope to "get some tariff reductions".

On agriculture, Mr. Ross said if India increased the scale on which farming is done, it would result in greater productivity and the US could play a "constructive role" in that.

"In an ideal world, India would consolidate farms into bigger farms," Mr. Ross said, saying this would enable them to take advantage of modern farming techniques since small scale farms are "not terribly well equipped to do that".

"If they [India] did decide to open it [the farming sector] up ,there probably could be a very constructive role for US industry in that," Mr Ross said.

Opposition alleges government trying to privatise Railways, BJP highlights improved performance

PTI
NEW DELHI, JULY 11, 2019
THE HINDU

Leader of the Congress in the Lok Sabha Adhir Ranjan Chowdhury said the Railway Minister wants to sell its assets and Prime Minister Narendra Modi will "one day sell the country"

The Opposition in Lok Sabha on July 11 accused the Narendra Modi government of trying to sell off railway assets instead of focusing on services, but the BJP asserted that the transport behemoth is breaking new ground everyday especially in areas of infrastructure and safety.

During a debate on demands for grants under the Ministry of Railways, the Congress, the Trinamool and other parties tore into the government as they opposed alleged attempts to privatise the railways and claimed it was “selling dreams” like the bullet train to the people, which were not feasible

Taking a swipe at the government, Leader of the Congress in the Lok Sabha Adhir Ranjan Chowdhury said the Aviation Minister wants to sell Air India, the Railway Minister wants to sell its assets and Prime Minister Narendra Modi, he alleged, will “one day sell the country”. He said the BJP-led NDA government has consistently failed to meet its targets since it came to power first in 2014 and mocked its statement of Rs.50 lakh crore investment in the coming years. It is like seeking a tent to sleep when there is not even a mat, he said while initiating the debate.

The Congress leader noted that while Mr. Modi had stated that railways will not be privatised, the Budget talks about public private partnership, corporatisation and disinvestment. “It is clear you intend to sell its assets,” Mr. Chowdhury said. The Railways’ operating ratio was 98.4% in 2017-18, he said adding its revenue and expenditure fell short of official claims. “But you do not stop selling dreams,” he said.

The Congress leader said the government was talking about bullet train while the freight services were suffering and said it has “become a government of MoU”. He accused the government of privatising profit-making production units of Railways, including the one in Rae Bareli, the Lok Sabha constituency of Congress leader Sonia Gandhi.

NCP MP Supriya Sule sought an assurance from the government that it would not privatise the Railways. Ms. Sule said unlike Air India, where government is trying for disinvestment, the Minister should assure the house it wouldn’t privatise the Railways.

Trinamool Congress member Sudip Bandyopadhyay said the bullet train concept is not possible in India and it is a “hoax”. “It is a hoax and a false promise. It is bogus on Indian soil,” he added.

Ms. Sule too took a swipe at the government over the delay in bullet train project, saying like the BJP’s 2014 poll slogan of ***achche din***, the promise of bullet train may also remain unfulfilled.

Mr. Bandyopadhyay said that the government should look at railway bridges which are over 100 years old as it involves safety and security of passengers. He said there is a huge vacancy for gangmen which has reached 2 lakh and also a shortage of rail drivers. "When will you fill these vacancies," he said, adding more attention needs to be given to complete dedicated freight corridor projects. He added that base kitchen, cleanliness, food safety and quality should get priority. He also claimed that integrating rail budget with general budget has not helped the railway sector.

Countering the Opposition's allegations, BJP MP Sunil Kumar Singh said the performance of Railways is much better now that it was under the Congress rule and it was achieving new milestones. Railway accidents have drastically reduced by 73% in the five-year period of the Modi government from 2014 to 2019, he noted.

Mr. Singh slammed the previous Congress governments and said during their time, "the interest of leaders and party politics were priorities while the nation's interest comes first for the NDA government". He said the capital expenditure more than doubled to Rs.4.97 lakh crore during 2014-19 compared to Rs.2.3 lakh crore in 2009-14. He said government has set a target of capital expenditure of Rs.1.6 lakh crore in the current financial year.

Participating in the debate, DMK member Kanimozhi alleged that that Railways still employ manual scavengers, and said "it is a shame for the nation". She alleged the government wants to hide this by appointing them through contractors. She said all sign boards on Railways stations are in Hindi, and demanded they should be in regional languages as well.

Rajan Vichare (Shiv Sena), Dileshwar Kamait (JD (U)), C. Sahoo (BJD) and Fazlur Rahman (BSP) also participated in the discussions.

Mr. Rahman said bullet train is being planned only for few people and if the government would spend half of the amount on small cities, it will help in improving Railways.

BJP MP Gopal Chinayya Shetty pitched for encouraging public private partnership (PPP) model to boost the country's progress. "PPP model is the only solution and would lead the country to progress. It can only provide facilities to the people," Mr. Shetty said.

A lot of work was being undertaken for the development of Railways, Sudhir Gupta (BJP) said, adding work was progressing at a fast pace in the Northeast.

'Railways' capital expenditure doubled during NDA rule'

Intervening in the debate, Minister of State for Railways Suresh Angadi also highlighted the doubling of capital expenditure for railways during NDA rule. He also pitched for parliamentarians to play a lead role in maintaining cleanliness in trains and stations.

Terming trains "mini-India", the Minister said just like in the Lok Sabha members from different ideologies and parties sit together, people from different walks of life and states share train bogies.

Mr. Angadi said after the NDA came to power, separate Railway budget was done away with and the functioning of the organisation was made "apolitical".

He said, "Railways connects the entire country the way Prime Minister Narendra Modi has connected India to the world through yoga."

Tread with caution: on labour laws

JULY 12, 2019
EDITORIAL
THE HINDU

The consolidated codes on labour laws need a thorough vetting and discussion in Parliament

As part of its commitment to simplify and consolidate labour rules and laws under four codes, the Union Cabinet has cleared the Occupational, Safety, Health and Working Conditions Code, a week after it approved the Code on Wages Bill. The latter seeks to include more workers under the purview of minimum wages and proposes a statutory national minimum wage for different geographic regions, to ensure that States will not fix minimum wages below those set by the Centre. These steps should be welcomed. The Code on labour safety and working conditions include regular and mandatory medical examinations for workers, issuing of appointment letters, and framing of rules on women working night shifts. Other codes that await Cabinet approval include the Code on Industrial Relations and the Code on Social Security. Unlike these pending bills, especially the one related to industrial relations that will be scrutinised by labour unions for any changes to worker rights and rules on hiring and dismissal and contract jobs, the two that have been passed should be easier to build a consensus on, in Parliament and in the public sphere. Organised unions have vociferously opposed changes proposed in the Industrial Relations code, especially the proviso to increase the limit for prior government permission for lay-off, retrenchment and closure from 100 workers as it is currently, to 300. The Economic Survey highlighted the effect of labour reforms in Rajasthan, suggesting that the growth rates of firms employing more than 100 workers increased at a higher rate than the rest of the country after labour reforms. But worker organisations claim that the implementation of such stringent labour laws in most States is generally lax. Clearly, a cross-State analysis of labour movement and increase in employment should give a better picture of the impact of these rules.

Simplification and consolidation of labour laws apart, the government must focus on the key issue of job creation. The Periodic Labour Force Survey that was finally made public in late May clearly pointed to the dire situation in job creation in recent years. While the proportion of workers in regular employment has increased, unemployment has reached a 45-year high. The worker participation rate has also declined between surveys held in 2011-12 and 2017-18. The government’s response to this question has either been denial, as was evident after the draft PLFS report was leaked last year, or silence, after it was finally released. In such a situation, the government should be better off building a broader consensus on any major rule changes to existing worker rights rather than rushing through them for the sake of simplification. The consolidated code bills should be thoroughly discussed in Parliament and also with labour unions before being enacted.

Jobless growth becomes more systemic

K.P. Kannan & G. Raveendran
JULY 12, 2019
THE HINDU

Earlier confined largely to the organised sector, it has now spread to other areas, as revealed by the latest survey results

The findings of the latest employment survey, called the Periodic Labour Force Survey (2017-18), are a cause for concern as the scenario is still far from anything that would denote decent employment. The two biggest issues here are: the shrinking share of the labour force; and the rising unemployment.

The labour force participation rate (% of people working or seeking work in the above-15 years age category) in the earlier survey of 2012 was 55.5%. This has shrunk to 49.7% in 2018. There is an absolute decline in the number of workers from 467.7 million in 2012 to 461.5 million in 2018.

Multiple dimensions

Recent attempts by some to create an impression that self-employment has not been captured by the National Sample Survey is absolutely false since the definition of 'employment' includes in itself 'self-' as well as 'wage employment'. Within the category of 'self-employed', the survey also counts those engaged in 'unpaid family labour'.

The figure for the overall unemployment rate at 6.1% is 2.77 times the same figure for 2012. A few experts have raised doubts about comparability of estimates between the two periods though we feel that they are not substantial issues that prevent anyone from a judicious comparison.

The rise in overall unemployment has both locational and gender dimensions. The highest unemployment rate of a severe nature was among the urban women at 10.8%; followed by urban men at 7.1%; rural men at 5.8%; and rural women at 3.8%.

When we ignore the location of residence, we find that severe unemployment among men at 6.2% was higher than among women at 5.7%. However, given the sharp decline in women's labour force participation rate, they have been losing out heavily due to the double whammy of exclusion from the labour force and an inability to access employment when included in the labour force. The decline in women's labour force participation from 31% to 24% means that India is among the countries with the lowest participation of women in the labour force.

The issue of educated unemployment, given its link with not just growth but also with transformative development, has never been as acute as at present. Defined as unemployment among those with at least a secondary school certificate, it is at 11.4% compared to the previous survey's figure of 4.9%.

But what is significant is that the unemployment rates go up as levels of education go up. Among those with secondary school education, it is 5.7% but jumps to 10.3% when those with higher secondary-level education are considered.

The highest rate is among the diploma and certificate holders (19.8%); followed by graduates (17.2); and postgraduates (14.6%).

Of course, educated persons are likely to have aspirations for specific jobs and hence likely to go through a longer waiting period than their less-educated counterparts. They are also likely to be less economically deprived. But the country's inability to absorb the educated into gainful employment is indeed an economic loss and a demoralising experience both for the unemployed and those enthusiastically enrolling themselves for higher education.

Burden more among women

Here again, the burden is the highest among urban women (19.8%) followed by rural women (17.3%), rural men (10.5%) and urban men (9.2%). Among the educated, women face a more unfavourable situation than men despite a low labour force participation rate. Compared to the earlier 2012 survey, unemployment of educated men has more than doubled in both rural and urban areas and in the case of women, the rate has nearly doubled. However, it is important to remember is that the rate was higher for educated women, when compared to educated men, in both the periods.

It is almost scandalous that youth unemployment rate (unemployment among those in the 15-29 years age category) has reached a high 17.8%. Even here, the women stand more disadvantaged than the men, especially urban women, whose unemployment rate of 27.2% is more than double the 2012 figure of 13.1%. The rate for urban men, at 18.7%, is particularly high as well.

The overall conclusion here is that the trend of 'jobless growth' that was till recently confined largely, if not only, to the organised sector has now spread to other sectors of the economy, making it more generalised. This calls for a thorough re-examination of the missing linkages between growth and employment.

Lenders sign pact to recast DHFL's debt

Manojit Saha
MUMBAI, JULY 11, 2019
THE HINDU

Plan to execute resolution by Sept.

A consortium of 27 lenders, including State Bank of India (SBI), has signed a pact, known as inter-creditor agreement (ICA), to restructure the debt of troubled mortgage lender Dewan Housing Finance Corporation (DHFL).

Banks had extended close to Rs.40,000 crore loans to the home finance company, and there is a similar amount that DHFL had raised through debt instruments like non-convertible debentures (NCDs).

Among lenders, SBI has the largest exposure of about Rs.11,000 crore to DHFL.

Banks want the NCDs to be a part of the resolution plan. "We will request NCD investors, since their money is involved, to be a part of the plan, so that a comprehensive resolution can be executed smoothly," a banker involved in the resolution plan said.

Among the 27 banks, most have signed the ICA, with a few remaining due to approvals pending from the relevant authorities. Banks have 30 days' time to sign the ICA, according to norms.

According to bankers, DHFL has been given seven days to prepare a resolution plan which will be scrutinised by the banks.

Bankers said the idea was to execute the resolution plan by the end of September by changing the management, so that the account does not become non-performing.

To be sure, DHFL has not defaulted on bank loans till now. Still, banks can go ahead with a resolution plan if there are signs of stress in the borrower account, according to Reserve Bank of India guidelines on stressed asset resolution.

In case DHFL fails to bring in a new investor, the debt will be restructured, which is essentially giving more time to the company to repay. However, in case the debt is recast, banks have to classify the loan as NPA.

DHFL has been scouting for a strategic partner since February. While DHFL has been in discussion with some investors, nothing has been finalised till date.

'More clarity'

"There is more clarity to investors on DHFL books now as we have done a detailed analysis. So, we expect to bring in a new investor by September," said a top official of a public sector bank. DHFL plans to raise Rs.7,000 crore to Rs.8,000 crore from the new investors.

The signs of stress became visible after DHFL delayed repayments to NCD holders, which led to a rating downgrade to 'default' by ICRA.

"It was a positive outcome on being part of the ICA…want resolution plan to be a collaborative approach for maximisation of value for all stakeholders," DHFL sources said, adding that the lenders had appreciated the company's intent on meeting obligations for almost nine months without any fresh borrowing and business.

CSO must rethink informal sector estimates: Chief Statistician of India Pronab Sen

SPECIAL CORRESPONDENT
NEW DELHI, JULY 10, 2019
THE HINDU

Current method no longer accurate due to greater automation: Pronab Sen

The Central Statistics Office (CSO) needs to rethink how it estimates the growth of the informal sector as the current method is no longer accurate, former Chief Statistician of India Pronab Sen said on Wednesday.

"Using the corporate sector data to estimate the activity in the non-corporate sector, as is being done, works only as long as the technologies being used in both sectors are reasonably similar," Dr. Sen said while speaking at a session on GDP data organised by the National Council of Applied Economic Research.

"However, this is no longer the case," he added. "Indian corporates, especially the large ones, have seen greater technology being used and this is not the case for the non-corporate sector. The CSO needs to rethink this."

Dr. Sen further said that the data for the last few years showed that there was an increasing trend of companies using technology instead of labour.

“The data implies that there are many companies that are replacing many low-skilled workers with a few highly-skilled, highly paid workers,” Dr. Sen explained. “This is because they are using technology instead. All those people who are concerned about the future use of automation and its impact on labour, well, the automation is already happening.”

One way in which the CSO could better estimate the informal sector activity is to use employment data, he added.

Former Chief Economic Adviser Arvind Subramanian again highlighted his misgivings with the GDP growth data for the period 2011-12 to 2016-17.

He also said that India was well placed now to incorporate Goods and Services Tax data to arrive at an expenditure side estimate of GDP growth, something that has never been done in India.

GDP growth rates in Economic Survey, Budget consistent with each other: FM

SPECIAL CORRESPONDENT
NEW DELHI, JULY 10, 2019
THE HINDU

The two use different base figures, says Nirmala Sitharaman

Finance Minister Nirmala Sitharaman on Wednesday clarified that the Economic Survey and the Union Budget project different rates of nominal GDP growth for 2019-20 because they use different base figures. However, she added that the two rates were consistent with each other.

While the Union Budget presented on July 5 projected a nominal GDP growth of 12% for financial year 2019-20, the Economic Survey pegged this figure at 11%. Opposition leaders in the Lok Sabha highlighted this discrepancy and demanded why there were so many different numbers being issued by the government.

The Opposition also walked out of the lower House during Ms. Sitharaman’s reply to the concerns over the Budget, protesting the Budget’s announcement of a hike in the duties and cess rates on petrol and diesel.

"The growth rate in the nominal GDP for 2019-20 in the Budget document has been projected at 12% over the advance nominal GDP estimates of Rs.1,88,40,731 crore for 2018-19," Ms. Sitharaman said during her reply. "The advance estimates of 2018-19 were released on Jan. 7, 2019."

"The growth rate of nominal GDP for 2019-20 in the Economic Survey has been projected at 11% over the provisional nominal GDP estimates of Rs.1,90,10,164 crore of 2018-19," the Finance Minister added. "The Provisional Estimates of 2018-19 were released on May 31, 2019.

"Both the projections are consistent with each other as each of them project the nominal GDP of Rs.2,11,00,607 crore for 2019-20," she said, adding that the government holds the Economic Survey, which is produced by the Chief Economic Advisor, at a "respectful arm's distance."

Her explanation for the lower GDP base being used in the Budget was that this was the same number used in the Interim Budget presented in February.

"A lower GDP base of 2018-19 has been used in the Budget document as the same GDP base was used in the interim Budget presented in February 2019," Ms. Sitharaman said. "Using the same GDP base ensures comparability from Budget to Budget, interim Budget to regular Budget, and this Budget to last year's Budget." She said that using the same base ensures comparability of the deficit ratios used in the July Budget and the interim Budget.

Lifting 271 mn out of poverty in 10 yrs, India fastest, Jharkhand No. 1 area: UN

Shalini Nair |New Delhi | July 12, 2019

THE NEW INDIAN EXPRESS

According to the global MPI 2019 report released Thursday, between 2005-06 and 2015-16, India, lifted 271 million out of poverty, significantly reducing deprivations in many of the ten

indicators, particularly in "assets, cooking fuel, sanitation and nutrition"

India has registered the fastest absolute reduction in the Multidimensional Poverty Index (MPI) value among ten countries, spanning every developing region, whose combined population is two billion people. And Jharkhand is among the poorest regions in the world improving the fastest.

According to the global MPI 2019 report released Thursday, between 2005-06 and 2015-16, India, lifted 271 million out of poverty, significantly reducing deprivations in many of the ten indicators, particularly in "assets, cooking fuel, sanitation and nutrition".

The MPI captures both the incidence and intensity of poverty. The global MPI tracks 101 countries on deprivations across ten indicators in health, education, and standard of living. Developed in 2010 by the Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Programme (UNDP), it looks beyond income poverty and tracks poverty in terms of the deprivation faced by people in their daily lives.

The report stated: "Among selected countries with a significant reduction in MPI value, India demonstrates the clearest pro-poor pattern at the subnational level: the poorest regions reduced multidimensional poverty the fastest in absolute terms".

It cites Jharkhand, which reduced multidimensional poverty from 74.9 per cent to 46.5 per cent in the ten years since 2005-06, as an example of the poorest region improving the fastest followed by Rattanak Kiri in Cambodia.

Among the four Indian states with the most acute MPI — Bihar, Jharkhand, Uttar Pradesh and Madhya Pradesh — Jharkhand has made the most progress. Overall, India was among three countries where poverty reduction in rural areas outpaced that in urban areas, which as per the report, is an indicator of pro-poor development.

The National Family Health Survey round three and four (NHFS 2005-06 & 2015-16) is the source for the comparative data on the indicators.

In this period, the report stated, the incidence of multidimensional poverty in India has almost halved, to 27.9 per cent from 55.1 per cent, lifting 271 million out of poverty — from 640 million to around 369 million. With regards to intensity, the reduction is negligible — from 51.1 per cent to 43.9 per cent — which goes to show that the experience of the poor person, how they face deprivation, hasn't changed all that dramatically.

"Traditionally disadvantaged subgroups such as those living in rural India, Muslims, the Scheduled Castes and Tribes, and young children are still the poorest in India," said a UNDP official.

Shoko Noda, UNDP India Resident Representative, said, "The MPI captures the huge progress India has made in reducing multidimensional poverty across the country, while also providing a more complete picture of who is deprived, how they are deprived, and where they live."

"That the poorest parts of the country are more quickly lifting people out of poverty demonstrates India's commitment to ensuring no one is left behind, in line with the Sustainable Development Goals and the government's own priorities."

The ten developing nations for which the comparison is made include countries across income categories: upper middle (Peru), lower middle (Bangladesh, Cambodia, India, Nigeria, Pakistan, Vietnam) and low (Democratic Republic of the Congo, Ethiopia, Haiti).

Across the 101 countries, 23.1 per cent of the people are multidimensionally poor. Fifty per cent of multidimensionally poor people are children, and a third are children under age 10 with over 85 per cent of poor children living in South Asia and Sub-Saharan Africa.