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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

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India ranks 116 in World Bank's human capital index

PTI
WASHINGTON, SEPTEMBER 17, 2020
THE HINDU

India's score increased to 0.49 from 0.44 in 2018, as per the Human Capital Index report released by the World Bank on Wednesday

India has been ranked at the 116th position in the latest edition of the World Bank's annual Human Capital Index that benchmarks key components of human capital across countries.

However, India's score increased to 0.49 from 0.44 in 2018, as per the Human Capital Index report released by the World Bank on Wednesday.

The 2020 Human Capital Index update includes health and education data for 174 countries — covering 98 per cent of the world's population — up to March 2020, providing a pre-pandemic baseline on the health and education of children, with the biggest strides made in low-income countries.

The analysis shows that pre-pandemic, most countries had made steady progress in building human capital of children, with the biggest strides made in low-income countries.

Despite this progress, and even before the effects of the pandemic, a child born in a typical country could expect to achieve just 56 per cent of their potential human capital, relative to a benchmark of complete education and full health, the Bank said.

"The pandemic puts at risk the decade's progress in building human capital, including the improvements in health, survival rates, school enrollment, and reduced stunting. The economic impact of the pandemic has been particularly deep for women and for the most disadvantaged families, leaving many vulnerable to food insecurity and poverty," said World Bank Group President David Malpass.

Protecting and investing in people is vital as countries work to lay the foundation for sustainable, inclusive recoveries and future growth.

Due to the pandemic's impact, most children — more than 1 billion — have been out of school and could lose out, on average, half a year of schooling, adjusted for learning, translating into considerable monetary losses. Data also shows significant disruptions to essential health services for women and children, with many children missing out on crucial vaccinations.

Last year, India had raised "serious reservations" over the Human Capital Index, wherein India was ranked 115 out of 157 countries. This year India finds itself at 116th from among 174 countries.

When asked about India's objections last year, Roberta Gatti, the bank's chief economist for human development, told reporters that her team has worked with countries to improve the quality of data in order to make it a better index for everyone.

"An index is a conversation-opener, and what we have discussed with our client countries is that all that is in the index matters, but not everything that matters can be in the index," she said.

"We have worked very directly with some of our client countries to use the index as a way to improve measurement, and India was exactly one of these cases," Gatti said.

Responding to questions, Mamta Murthi, vice president, Human Development, World Bank Group, told reporters that the Human Capital Index provides a basis on which the government of India can prioritize and a dimension to support human capital. Given the progress that has been made in recent times, it seems significant for now due to COVID-19. The Bank is working with the Indian authorities on supporting livelihood for the poor, which is very important, she said.

World Bank President David Malpass said that the coronavirus has deepened inequality globally, in addition to increasing poverty and distress. “We’re working with countries to try to protect people during the crisis and also invest in them so that we can see the recovery and lay a foundation for future inclusive growth,” he said.

The impact of COVID-19, on developing countries particularly has been hard, Malpass said adding that there is the collapse of the formal and informal market, and also there is a very limited social safety net. The World Bank, he said, estimates a 12 per cent drop in employment.

There has been major decline in remittances and total income is going down by 11 or 12 per cent. All this, he said is likely to have a disproportionate effect on the poor and on women. India, he said is having “severe impact” of COVID-19.

Malpass said that there’s two-fold inequality in this crisis. “One is that developing countries are being left further behind. And within developing countries, the poor are being left further behind. “Our concern right now with the pandemic is the subtractions or the challenges facing human capital creation in this environment,” he said.

He further said, “countries are increasingly reporting declines in essential health services. Eighty million children are missing out on essential vaccinations. Most children, within more than a billion children, have been out of school due to COVID. And that could lose as much as USD 10 trillion in lifetime earnings because of the reduced learning, the school closing and the potential for dropping out of school and the disproportionate impact on girls”.

Malpass said that the World Bank is trying to work to restart the learning process, including by helping countries secure access to equipment, assisting in reopening, and with distance learning.

India Ratings downgrades banking sector outlook to negative from stable

FE Bureau | September 19, 2020

THE FINANCIAL EXPRESS

While it revised the rating outlook on PSBs to negative from stable, India Ratings maintained a stable outlook on private banks

Additionally, capital buffers for most public sector banks (PSBs) remain modest

India Ratings and Research on Friday said it had revised its outlook on the banking sector to negative for the second half of FY21 (H2FY21) from stable. The change was made in view of an expected spike in stressed assets, higher credit costs, weaker earnings on account of interest reversals and lower fee income, and muted growth prospects in the wake of the measures taken to contain the spread of Covid-19.

"Additionally, capital buffers for most public sector banks (PSBs) remain modest. As per Ind-Ra's bear case, the spike in stressed assets due to pandemic is expected to double the credit costs for banking system than estimated pre-Covid-19 levels for FY21," the rating agency said.

While it revised the rating outlook on PSBs to negative from stable, India Ratings maintained a stable outlook on private banks. It expects PSBs' modest capital buffers to deplete further in FY21 due to provisioning requirements. Also, pre-Covid profitability expectations for FY21 would be belied and most banks are likely to report net losses. They may need to continue building up their provision cover in FY22 for restructured assets as some of these assets could turn bad in FY23. PSBs could require Rs 35,000-55,000 crore in H2FY21 for Tier-1 ratio of 10%. Their Covid-19 and contingent provisions are much lower than that for private banks.

The agency said private banks were better placed to withstand the challenges presented by the pandemic. Most large banks have strengthened their capital buffers, built contingent provisions and have been proactive in managing the loan portfolio. “While the system’s credit growth could remain anaemic, and short-term financial performance could deteriorate modestly, large banks may benefit from credit migration,” India Ratings said. As opportunities arise, these banks are in a position to gain substantial franchise growth in the medium- term, given that they have also added to their capital buffers over the past few months.

Under the new restructuring framework, lenders would be able to handhold those borrowers who have been temporarily impacted by Covid-19 but are otherwise viable, the agency said. “As per Ind-Ra’s estimates, up to 7.7% (Rs 8.4 lakh crore) of the total bank credit at March-end 2020 — including corporate and non-corporate segments — could get restructured or if they do not qualify for restructuring, they may slip,” India Ratings said, adding that it could be higher, if the restructuring in non-corporate segments exceeded 1.9% of the total bank credit.

The restructuring/slippages quantum from the corporate sector in FY21 could range between 3 and 5.8% of bank credit, amounting to Rs 3.3-6.3 lakh crore. Stressed assets that may not slip in the near term could be restructured as the pandemic would have aggravated stress. Agri- (excluding farm credit) and micro, small and medium enterprises (about 25% of advances in private banks and 32% in PSBs) would contribute about 85% of Rs 2.1 lakh crore (1.9% of banking system credit) non-corporate restructuring, while retail will contribute the rest to the restructuring pool.

“Ind-Ra estimates the provisioning requirement under the new restructuring framework could reduce in FY21. The credit costs hence are estimated to range between 2.6% and 3.4% in FY21 (2.9%-3.8% for PSBs and 2.0%-2.6% for private banks), depending on the quantum of pool getting restructured or slipping to NPAs,” the agency said.

Centre says rural jobs scheme won't be starved of funds

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THE FINANCIAL EXPRESS

The ministry seeks additional fund for MG-NREGS as and when required for meeting the demand for work on the ground, he added

As per the MG-NREGS dashboard, the Centre has released Rs 61,071 crore to states so far in the current fiscal

The Centre on Friday reaffirmed its commitment of making funds available under the Mahatma Gandhi National Rural Employment Guarantee Schemes (MG-NREGS) to states and union territories (UTs), keeping in view the rising demand for work.

In order to meet additional demand for work due to return of workers from urban areas to rural areas, the government has allocated an additional Rs 40,000 crore to the budgeted estimates of Rs 61,500 crore for the current fiscal under MG-NREGS.

As per the MG-NREGS dashboard, the Centre has released Rs 61,071 crore to states so far in the current fiscal.

"MG-NREGS is a demand-driven wage employment programme. Release of funds to states/UTs under MG-NREGS is a continuous process and the Centre is committed to making funds available to the states/UTs keeping in view the demand for work," rural development minister Narendra Singh Tomar said in a written reply to the Rajya Sabha.

The ministry seeks additional fund for MG-NREGS as and when required for meeting the demand for work on the ground, he added.

Under the scheme, a rural household is provided with 100 days of wage employment in a financial year whose adult member volunteers to do unskilled manual work.

In a separate reply, Tomar said there had been a 52.11% increase in generation of person days during the April-August period of the current fiscal to 199.59 crore over the same period last fiscal. In the first five months of the current fiscal, 14.89 crore households demanded work compared with 10.5 crore in 2019-20 and 9.32 crore in 2018-19.

DHFL: Union Bank to invoke promoters' guarantee

KR Srivats New Delhi | September 18, 2020

THE HINDU BusinessLine

Union Bank of India has initiated the process of invoking the personal guarantees furnished by the Wadhawans as promoters of the beleaguered Dewan Housing Finance Ltd (DHFL), now under the IBC.

Union Bank leads the 18-bank consortium that has exposure to DHFL. In all, claims worth over Rs.87,000 crore of 58 creditors are at stake in the ongoing insolvency proceedings.

DHFL was the first non-bank company referred to the National Company Law Tribunal (NCLT) by the RBI under the new rules notified by the Government in November last year under Insolvency and Bankruptcy Code (IBC).

"We have, a few days ago, initiated the process of guarantee invocation by sending the demand letter to the promoters," sources in Union Bank said. The approval to initiate the process (to send the demand letter) came from a core panel (of 7-8 top lenders) of the committee of creditors, which has over 50 members, they added.

The promoters — Dheeraj and Kapil Wadhawan — have 14 days to reply to the demand letter, based on which Union Bank will take a call on whether or not to file a personal bankruptcy case before the NCLT against the promoters, it is learnt.

The Finance Ministry had in August directed public sector banks to up the game on personal guarantors of corporate debtors and advised them to institute a mechanism to monitor cases that may require the initiation of individual process against such guarantors before NCLT. However, Union Bank officials maintained that the action was not prompted by the Finance Ministry's advisory on this matter.

If Union Bank of India does eventually end up filing the personal bankruptcy case against DHFL promoters and NCLT were to admit it, then it would be the third such instance of banks filing personal insolvency petitions against promoters of defaulting firms. Already, State Bank of India has filed a similar plea (personal bankruptcy case) against Anil Ambani and Bhushan Power promoter Sanjay Singhal.

Loan delinquencies of NBFCs may rise up to 250 bps in FY21: Crisil

Our Bureau. Mumbai | September 18, 2020

THE HINDU BusinessLine

Loan delinquencies of non-banking finance companies (NBFCs) could dart up 50-250 basis points (bps) this fiscal, depending on the segment of operation, because of vulnerability in borrower cash flows, according to credit rating agency Crisil.

The agency said this is a base-case estimate without factoring in loan restructuring and the Covid-19 affliction curve.

As per this estimate, as of March-end 2021, the projected delinquency in the home loan segment is 1.7-1.9 per cent (against estimated 1.1-1.3 per cent as at March-end 2020); vehicle finance, including construction equipment (8.0-8.5 per cent against 6.0-6.5 per cent); loans against property (6.0-6.5 per cent against 3.5-4.0 per cent); unsecured SME loans (6.0-6.5 per cent against 4.0-4.5 per cent); and unsecured loans – consumer durable and personal loans (4.0-4.5 per cent against 2.0-2.5 per cent).

Covid-19 afflictions

Crisil observed that the rapid increase in Covid-19 afflictions and intermittent lockdowns will increase asset quality challenges of non-banking financial companies.

The trend in monthly collection efficiency till August 31, 2020 (unadjusted for moratorium) shows there is still some way to go before reaching pre-pandemic levels, it added.

"While the recent restructuring scheme afforded by the Reserve Bank of India would be a leash on reported non-performing assets (NPAs), underlying challenges continue," the agency said.

Crisil expects Assets under management (AUM) of NBFCs to de-grow this fiscal. This de-growth will be for the first time in nearly two decades.

"Managing collections, after the end of moratorium, is crucial. Moratorium uptake was higher in April and May, while collections were slack with a stringent lockdown in place.

"Though collections have improved since June as the economy began opening up, the pace of improvement and extent of ultimate credit losses will be the key monitorables going forward," Crisil said.

Krishnan Sitaraman, Senior Director,Crisil Ratings, opined that while there has been an improvement across segments over the past four months, collections in the wholesale, MSME, and unsecured segments are still much lower than before the pandemic.

"Now that the moratorium has ended, self-employed borrowers are likely to be impacted more because of slow resumption of economic activity and continued local restrictions. On the other hand, the salaried borrower segment will be more resilient despite pay cuts and job losses," said Sitaraman.

Restructuring scheme

The agency underscored that restructuring scheme for MSME borrowers and personal loans announced by the RBI may now limit the rise in NPAs in these segments. Nevertheless, NBFCs are expected to be prudent in offering restructuring selectively to deserving accounts and not in a blanket manner.

According to Ajit Velonie, Director, Crisil Ratings: "As opposed to reported GNPA, collection efficiency will be a better yardstick to measure asset quality challenges now. Given the trend till August 2020 and the lingering uncertainties, it is imperative that NBFCs create capital buffers for asset-side risks.

"The good part is we have seen many of them raising capital of late. Those with weak capital buffers may see their credit profiles getting affected."

PMC Bank fraud case: ED attaches hotels worth Rs. 100 crore in Delhi

Our Bureau - New Delhi, Sep 19 New Delhi | September 18, 2020

The Enforcement Directorate (ED) has, in the PMC Bank fraud case, provisionally attached under the anti-money laundering law three immovable assets in New Delhihaving a market value of Rs.100 crore.

The attached assets consists of three hotels and are owned by Libra Realtors Pvt Ltd; Dewan Realtors Pvt Ltd; Rakesh Kumar Wadhawan; Romy Mehra and Libra Hotels Pvt Ltd and its directors.

Hotels attached

The names of the hotels are: Hotel Conclave Boutique; Hotel Conclave Comfort; and Hotel Conclave Executive (all now known as FAB hotels), an official release said.

Investigation has revealed that proceeds of crime totalling Rs.247 crore were obtained fraudulently by Libra Realtors Pvt Ltd and Dewan Realtors Pvt from PMC Bank in the guise of loans. These loans are part of the Rs.6,117 crore owed by HDIL group of Companies to PMC Bank, the release added.

It may be recalled that ED had initiated investigation under the Prevention of Money Laundering Act (PMLA) on October 3 last year against Housing Development Infrastructures Ltd (HDIL), Rakesh Kumar Wadhawan, Sarang Wadhawan, Waryam Singh, and Joy Thomas, Chairman and Managing Director of PMC Bank, and others .

This was done on the basis of the FIR dated September 30 last year, registered by Economic Offences wing of Mumbai Police under Sections 409, 420,465,466,471 read with 120B of IPC, 1860, for causing wrongful loss prima facie to the tune of Rs.4,355 crore to PMC Bank and corresponding gain to themselves.

Earlier, assets belonging to the accused, Rakesh Kumar Wadhawan and Wadhawan Family trust, totalling to Rs.193 crore, were also attached and jewellery worth Rs.63 crore was seized. Prosecution complaint has been filed in this case against Rakesh Kumar Wadhawan and others. Rakesh Kumar Wadhawan and his son Sarang Wadhawan were arrested by the ED on October 17 last year and are presently in Judicial custody.

Banks return nearly Rs.99,000 crore borrowed under LTRO at a higher cost

Radhika Merwin BL Reserch Bureau | September 18, 2020

THE HINDU BusinessLine

This creates headroom for more OMOs by the RBI, which can help ease bond yields

In a bid to soften yield on the 10-year G-Sec and reduce cost of funds for banks, the RBI had announced a series of measures last month.

Aside from announcing two additional tranches of 'Operation Twist' (OT) and easing held-to-maturity (HTM) limits for bond holdings by banks, the

RBI had also allowed banks to retire higher cost borrowings availed by them under previous long-term repo operations.

Banks that had borrowed funds under LTRO (Long Term Repo Operations) in February and March, at the then repo rate of 5.15 per cent, have made a beeline to retire these borrowings to lower their cost of funds.

The repayment of these borrowings were slated to happen over five tranches. In the first four tranches, banks have returned Rs.98,854 crore so far. The last repayment of funds is scheduled for today. Banks can in turn avail funds at the current repo rate of 4 per cent.

While one hand this will help lower banks' cost of funds, it will also lead to increase in liquidity in the banking system that is already flush with funds. Over the past two to three months, there has been close to Rs.6-7 lakh crore of surplus liquidity in the system. Banks returning over Rs.1-lakh crore of funds will in turn create more headroom for the RBI to do outright open market operations (OMOs) — purchase of government bonds.

The RBI recently announced OMOs of Rs.10,000 crore to be conducted on September 24. Banks returning funds borrowed earlier under LTRO opens up scope for further OMOs of Rs.1-1.1 lakh crore (if liquidity is to be maintained at current levels), which can help in softening the yield on G-Secs.

First OMO this fiscal

In a bid to ease the interest rates on long-term government bonds, the RBI began announcing operation twist (OT) in December 2019 — using proceeds from the sale of short-term securities to buy long-term government debt papers. These are essentially liquidity-neutral, but help in easing yield on long-term bonds.

On the other hand, an outright purchase of bonds (OMOs) infuses liquidity into the system, while also aiding yields to cool off. So far this fiscal (April 2020 onwards), the RBI has only undertaken OT to ease bond yields and did not resort to OMOs. The recently announced OMOs is the first so far this fiscal.

Scope for more OMOs

Banks returning a tidy sum borrowed earlier under LTROs, has opened up scope for further OMOs in the coming months. This will help anchor long-term bond yields, critical given the Centre's large borrowings expected in the second half of the fiscal.

When banks borrow funds under LTRO, it has the effect of increasing their funding base and also increasing RBI's balance sheet. A reversal of this (on banks returning the funds), leads to shrinkage of RBI's balance sheet, which can again be offset by the OMO activity.

Banks cannot deny copies of account statements to customers, says DRT

G Balachandar Chennai | September 18, 2020

In another ruling, the DRT says that the authorised officer has no authority to extend payment deadline in auction deals

The Debt Recovery Tribunal (DRT) in Chennai has pronounced two major orders. One, banks cannot deny copies of account statements to their customers. Two, in an auction deal, the authorised officer has no power to extend timeline for payments by the purchaser.

DRT's Presiding Officer NV Badarinath pronounced in its order dated September 14 stating that the banks cannot deny furnishing copies of accounts statements to their customers. The order was pronounced on a plea filed by MSME borrowers for furnishing statements from a SME Branch of State Bank of India in Chennai.

The order highlighted that every bank customer is entitled to have copies of his/her statement of account(s) from his banker and the bank is under contractual obligation to furnish them to its customers.

Banks can charge for statements

Banks may charge for the copies, but cannot deny customers the right to have a copy of the statement of account by virtue of the contract of lending entered between the bank and the customer.

This right cannot be denied to the borrower, even in cases where the borrower has discharged the debt or defaulted in discharging the debt due to the bank, it pointed out.

"Needless to say that transparency and accuracy in maintaining the accounts of its customers is the fundamental duty of any bank. Breach of this 'duty' would result in breach of 'trust' reposed in the bank. Insofar as the present case is concerned, the direction supra, to the respondent bank is nothing but an opportunity to establish that the bank had not breached this important 'duty' and that it always maintains transparency and accuracy in the accounts of its customers," the order said.

Auction deals

The DRT through another order also clarified whether the authorised officer has the power to extend the time to deposit balance 75 per cent of sale price by the auction purchaser.

The DRT order said neither the SARFAESI Act nor the rules made there under empower the authorised officer to extend the time for deposit or the purchaser to enter into an agreement with the authorised officer for extension of time for deposit of the full or part of the 75 per cent sale price.

On the contrary, the law and rules mandate that the extension of time for payment of 75 per cent of the balance sale consideration shall be by entering into a written agreement between the secured creditor and the purchaser, it stated.

Formalisation of labour critical for wages, social security: ISF

Mini Tejaswi BENGALURU, SEPTEMBER 18, 2020

THE HINDU

Formalisation of labour is critical to ensure wage and social protection for some 39 crore informal workers in the country, and the sectors that can trigger a shift towards the formalisation include the medium, small and micro enterprises (MSMEs), manufacturing, construction, goods and transport, says Indian Staffing Federation (ISF), an apex body for flexi workers.

With business activities in labour-intensive sectors declining rapidly, income inequality and poverty are increasingly a fact of life for the unorganised labour. India, with almost 85% of its labour force in the informal sector, needed a structural shift or an overhaul towards formalisation, said Lohit Bhatia, president, ISF.

The loss of employment, driven by the pandemic, has already led to reverse migration of 12.20 crore daily wage workers, the loss of jobs for another five crore domestic workers, and the lack of social security for two crore gig workers, as per a recent ISF report titled: 'Proposition For Labour Formalisation — Getting India to work —Helping India Rise.'

Listing out the bottlenecks in employment generation that currently exist in the country, he said institutions of labour legislation, trade unions and wage-setting systems have created significant rigidities and inflexibilities in the country's labour market.

"It is an empirical issue. Also, there are concerns among policymakers and academics alike that the collective institutions of restrictive labour legislation, have hampered output, investment, and formal employment expansion, thereby adversely impacting the labour market,'' Mr. Bhatia added.

Govt. may reduce Air India's debt and delay disinvestment to woo buyers

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NEW DELHI, SEPTEMBER 18, 2020
THE HINDU

The deadline to submit bids for the national carrier has already been extended four times this year

The central government is considering reducing Air India's debt further and delaying its disinvestment process in order to woo buyers, senior officials said on Friday.

The debt of Air India as on March 31, 2019 was Rs.58, 255 crore. Later in 2019, Rs.29,464 crore of this debt was transferred from Air India to a government-owned special purpose vehicle called Air India Assets Holding Company Limited (AIAHL).

"The government is considering reducing the debt of the airline further in order to make it attractive for interested parties in the current economic scenario affected by the COVID-19 pandemic," a senior government official said.

More time is likely to be given to bidders to submit their bids and it will delay the disinvestment process further, another government official said.

The deadline to submit bids for the national carrier has already been extended four times this year.

The fourth extension was given on August 25 when the deadline for placing bids for Air India was pushed by two months to October 30 as the COVID-19 fallout has disrupted economic activity globally.

The process of stake sale in the national carrier was initiated on January 27.

"Air India Limited has been suffering continuous losses. The COVID-19 pandemic along with its related impact on the aviation industry has further worsened the financial position of the company," Civil Aviation Minister Hardeep Singh Puri had said on Thursday.

Air India has incurred a net loss of about Rs.2,570 crore in the first quarter of 2020-21 as compared to a net loss of Rs.785 crore sustained in the corresponding period a year ago, he added in a written reply to a question in Lok Sabha.

An amount of Rs.1,000 crore as loan to Air India has also been provided in the current financial year, Mr. Puri stated.

After its unsuccessful bid to sell Air India in 2018, the government in January this year restarted the divestment process and invited bids for selling 100% of its equity in the state-owned airline, including Air India's 100% shareholding in Air India Express Ltd and 50% in Air India SATS Airport Services Private Ltd.

In 2018, the government had offered to sell its 76% stake in the airline.

The aviation sector has been significantly impacted due to the travel restrictions imposed in India and other countries in view of the coronavirus pandemic.

All airlines in India have taken cost-cutting measures such as pay cuts, leave without pay or firings of employees in order to conserve cash.

US law firm files class action suit against HDFC Bank for misleading claims

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MUMBAI, SEPTEMBER 18, 2020
THE HINDU

As per the suit, bank officials "engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit", resulting in the losses to investors.

A law firm in the US has filed a class action suit against HDFC Bank, claiming damages for the losses incurred by investors because of "materially false and misleading" representations made by India's largest private sector lender.

The suit by Rosen Legal specifically names the bank's managing director and chief executive Aditya Puri, his chosen successor Sashidhar Jagdishan and company secretary Santosh Haldnakar, who are the defendants in the suit, as per a copy of the complaint uploaded on the website.

The complaint did not mention the exact quantum of the damages sought, though it maintained that may be thousands of investors would have suffered. HDFC Bank could not be immediately reached for comment.

As per the suit, bank officials "engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit", resulting in the losses to investors.

The allegations pertain to the vehicle finance vertical, where the bank later acknowledged to have found some improprieties which resulted in some executives being acted against.

The bank had inadequate disclosure controls and procedures and internal control over financial reporting, maintained improper lending practices in the vehicle financing making the operations unsustainable and all this was likely to have a materially negative impact on its financial condition and reputation, it alleged.

"The bank's public statements were materially false and misleading at all relevant times," the suit claims.

The defendants "knew that the adverse facts" had not been disclosed and were being "concealed from the public", it said, adding "the positive representations being made were then materially false and misleading. The individual defendants are liable for the false statements and omissions pleaded herein".

The period during which the losses are alleged to have happened to the investors is between July 31, 2019 and July 10, 2020 which is referred to as the "class period".

"Throughout the class period, defendants made materially false and misleading statements regarding the bank's business, operational and compliance policies," it alleged.

After the initiation of probe by the law firm, the bank had termed the move as a “frivolous” one and asserted that it has been transparent in all its disclosures.

According to reports, the bank used to bundle vehicle tracking devices along with auto loans sold by it, resulting in an additional cost to the borrower, and also concerns over privacy.

There was speculation over the circumstances under which its head of the unit left the office, but the bank later clarified that it was a scheduled retirement.

The HDFC Bank American Depository Receipt was trading 0.81% down at $50.05 at 2115 hours IST on the NYSE. The scrip shed 0.94% to close at Rs.1,083.25 apiece on the BSE earlier in the day.

Mudra loans: PSBs on a sticky wicket as NPAs surge

KR Srivats New Delhi | September 17, 2020

THE HINDU BusinessLine

Public sector banks (PSBs), which have been the main channel for the distribution of Mudra loans, have seen their NPAs spike in FY20 even as disbursements saw an appreciable increase.

Non performing assets (NPAs), as a percentage of Mudra loans disbursed by PSBs, increased to 4.80 per cent in FY20 from 3.75 per cent in FY19.

Loan disbursements by PSBs under the Mudra scheme touched Rs.3,92,437 crore during FY20 and NPAs stood at Rs.18,836 crore. For the previous year, the loans disbursed stood at Rs.3,06,489 crore and NPA was at Rs.11,483 crore. In FY18, Mudra loan disbursements stood at Rs.2,12,205 crore with NPAs at Rs.7,277 crore.

Under the Pradhan Mantri Mudra Yojana (PMMY), institutional credit up to Rs.10 lakh is provided for entrepreneurial activities to micro/small business units. As of September 4, over 25.32 crore loans amounting to Rs.12.91 crore have been extended by Member Lending Institutions under PMMY since its inception, official data submitted to Parliament showed.

Mudra loans are collateral-free loans that come under three categories — Shishu (up to Rs.50,000); Kishore (between Rs.50,000 and Rs.5 lakh) and Tarun (up to Rs.10 lakh).

Many bankers in private held that the latest NPA ratio made public on Mudra loans was on the higher side, given that the scheme was only a few years old.

The latest NPA ratio for Mudra loans may not also give the entire picture on the health of MSMEs, given the regulatory forbearance (non recognition of NPAs and one-time restructuring facility) extended to this segment since 2019, they said. A bulk of the stress came from the Shishu category, they added.

One will have to wait for the moratorium to end and assess the impact of the one-time restructuring before coming to any conclusion on the health of Mudra loan borrowers, they added.

Meanwhile, Anurag Singh Thakur, Minister of State for Finance and Corporate Affairs, said in a written reply that a number of steps have been taken by the government to improve the implementation of the Mudra scheme, including asking PSBs to regularly monitor the asset quality for small ticket size loans, including PMMY loans; make granular analysis of Mudra NPA accounts; improve underwriting standards and maintain regular contacts with PMMY borrowers. Thakur also said that State-wise NPA data under the scheme is not centrally maintained.

In view of the pandemic, the government had announced a slew of measures targeted at MSMEs, including launch of pre-approved loans under Emergency Credit Line Guarantee Sanction for sanction of Rs. 3-lakh crore to eligible MSMEs; launch of Credit Guarantee Scheme for Subordinated Debt for stressed MSME units to help sustain and revive MSMEs whose loan accounts have either become NPAs or are on the brink of becoming NPAs; and revision of the definition of MSMEs to allow more enterprises to avail benefits for MSMEs and to help existing MSMEs expand.

India's economy heads for double-digit decline as virus spikes

Bloomberg September 18 | September 18, 2020

THE HINDU BusinessLine

Covid cases cross 5 million; Goldman Sachs sees 14.8% GDP contraction for 2020-21

India's economic recovery prospects have gone from bad to worse after the nation emerged as a new global hotspot for the coronavirus pandemic with more than 5 million infections.

Economists and global institutions such as the Asian Development Bank have recently cut India's growth projections from already historic lows as the virus continues to spread.

Goldman Sachs Group Inc now estimates a 14.8 per cent contraction in gross domestic product for the year through March 2021, while the ADB is forecasting -9 per cent.

The Organisation for Economic Co-operation and Development sees the economy shrinking by 10.2 per cent.

The failure to get infections under control will set back business activity and consumption — the bedrock of the economy — which had been slowly picking up after India began easing one of the world's strictest and biggest lockdowns that started late March. Local virus cases topped the 5 million mark this week, with the death toll surpassed only by the US and Brazil.

"While a second wave of infections is being witnessed globally, India still has not been able to flatten the first wave of infection curve," said Sunil Kumar Sinha, Principal Economist at India Ratings and Research Ltd, a unit of Fitch Ratings Ltd. He now sees India's economy contracting 11.8

per cent in the fiscal year, far worse than his earlier projection of -5.8 per cent.

Goldman Sachs's latest growth forecast came last week after data showed gross domestic product plunged 23.9 per cent in the April-June quarter from a year ago, the biggest decline since records began in 1996 and the worst performance of major economies tracked by Bloomberg.

Signs of pick up

While there are some signs that activity picked up following the strict lockdown, a strong recovery looks uncertain.

By all indications, the recovery is likely to be gradual as efforts toward reopening of the economy are confronted with rising infections, Reserve Bank of India Governor Shaktikanta Das told a group of industrialists Wednesday.

Lower potential

The central bank will likely release its own growth forecast on October 1 when the monetary policy committee announces its interest rate decision. In August, the RBI said private spending on discretionary items had taken a knock, especially on transport services, hospitality, recreation and cultural activities.

The plunge in GDP, as well as ongoing stress in the banking sector and among households, will curb India's medium-term growth potential. Tanvee Gupta Jain, an economist at UBS Group AG in Mumbai, estimates potential growth will slow to 6 per cent from 7.1 per cent year-on-year estimated in 2017.

What Bloomberg's economists say

India went into the Covid-19 pandemic already suffering a downward trend in growth potential. We expect a 10.6 per cent contraction in fiscal 2021, rebound in 2022, and slower path for growth as scars from the virus recession drag on the remaining years of the decade.

Abhishek Gupta, India economist, says "In addition to that, corporate profits have collapsed, putting a brake on investments, which in turn, will curb employment and growth in the economy."

"India is likely to see a shallow and delayed recovery in corporate sector profitability over the next several quarters," said Kaushik Das, chief economist at Deutsche Bank AG in Mumbai, who has downgraded his fiscal year growth forecast to -8 per cent from -6.2 per cent. "That will reduce the incentive and ability for fresh investments, which in turn will be a drag on credit growth and overall real GDP growth," he said.

'Doorstep banking' from select public sector banks could prove a game-changer

K Ram Kumar Mumbai | September 18, 2020

THE HINDU BusinessLine

This initiative is aimed at helping PSBs retain, win back lost marketshare

Public sector banks (PSBs) are working towards floating a company to house the operations of their recently-launched PSB Alliance for Doorstep Banking (DSB) initiative.

In a move that could prove to be a game-changer vis-a-vis how banking services are offered and consumed, all 12 PSBs under the aegis of the Indian Banks' Association (IBA) have joined forces to initially offer 10 non-financial services at customers' doorstep.

These services are being offered through DSB agents at 100 top deposit centres across the country. These banks are also planning to scale up the number of centres where DSB services will be available down the line.

This move by the 12 PSBs to jointly start a company for providing DSB service comes amid cut-throat competition in the banking space, with private sector banks nibbling away at their dominant market share in deposits and advances in the last few years.

This initiative could help PSBs retain and win back lost marketshare.

IBA is looking to fill the position of Chief Executive Officer (CEO) for the company that will eventually run PSB Alliance for DSB.

Currently, one senior official each from the 12 PSBs have been deputed to IBA to coordinate the day-to-day operations of PSB Alliance for DSB.

Under the initiative, customers are offered a pick-up facility for certain non-financial services — cheque, draft, pay order, new cheque book requisition slip, 15G/15H Form, IT/GST challan, and standing instruction request.

Further, the feet-on-street (agents) too deliver certain non-financial services — account statement; non-personalised cheque book, draft, pay order; term deposit receipt, acknowledgment, etc; TDS/ Form 16 certificate issuance, and pre-paid instrument/ gift card.

Cash withdrawal and deposit facilities will also be offered starting next month.

Specifically, the target customers for DSB are senior citizens, defense personnel, Central Reserve Police Force personnel, widows, differently-abled, students, salaried employees, shopkeepers and street vendors.

All service requests generated (via mobile app, web portal and toll free number) by PSB customers up to 1500 hours will be completed within three hours of request generation. Service requests generated after 1500 hours will be completed by 1300 hours next working day.

DSB services are chargeable, with the current rate being Rs.75 plus GST per financial/ non-financial service.

The 12 PSBs, which are part of the PSB Alliance for DSB (anchored by UCO Bank), have engaged Atyati Technologies Pvt Ltd and Integra Microsystem Pvt Ltd to provide 'DSB through Universal Touch Points' facility to their customers.

Global economic recovery may take 5 years: World Bank chief economist

Reuters Madrid | September 17, 2020

Global poverty may rise for the first time in 20 years

The global economic recovery from the crisis originated by the coronavirus pandemic may take as much as five years, the World Bank's chief economist Carmen Reinhart said on Thursday.

"There will probably be a quick rebound as all the restriction measures linked to lockdowns are lifted, but a full recovery will take as much as five years," Reinhart said in a remote intervention during a conference held in Madrid.

Rise in inequality

Reinhart said the pandemic-caused recession will last longer in some countries than in others and will exacerbate inequalities as the poorest will be harder hit by the crisis in rich countries and the poorest countries will be harder hit than richer countries.

For the first time in 20 years, global poverty rates will rise following the crisis, she added.

PSBs consolidation: It is credit negative if govt divests stake in left out banks, says ICRA

Our Bureau Mumbai | September 17, 2020

THE HINDU BusinessLine

Bank of India, Central Bank of India, Bank of Maharashtra, UCO Bank, Indian Overseas Bank and Punjab & Sind Bank were the PSBs that were left out of the consolidation exercise

Credit rating agency ICRA on Thursday cautioned that if the Government divests majority stake in the Public Sector Banks (PSBs) that were left out of the PSBs consolidation exercise announced by Government of India (GoI) last year, it will be credit negative for them.

The agency expects the deposit franchise for these banks to be monitorable as these deposits could be highly sensitive to their ownership.

Bank of India, Central Bank of India, Bank of Maharashtra, UCO Bank, Indian Overseas Bank and Punjab & Sind Bank were the PSBs that were left out of the consolidation exercise.

GoI owns 83-96 per cent stake in these six banks with a market value of around Rs.58,000 crore as on end July 2020.

The agency observed that while the stake sale could result in the GoI to meet part of its divestment targets, it will also save it from the potential future liabilities of capital infusion into these banks.

Karthik Srinivasan, Group Head – Financial Sector Ratings, ICRA, observed that while divesting the shareholding, the GoI and RBI will also possibly need to rework the promoter shareholding criterion for the banking sector as the new shareholders will need to infuse significant capital into the banks, apart from perhaps purchasing majority stake from GoI.

Currently, the shareholding of the promoter group is capped at 15 per cent, he added.

Weak credit profile

ICRA, in a statement, said most of these PSBs have a weak credit profile, and their credit ratings are primarily supported by a) their sovereign ownership and b) their stable deposit base, which in turn is supported by their ownership.

The agency opined that the existing ratings are also notched up from the standalone credit profile and going forward, the ratings on these PSBs would reflect their standalone credit profile depending on their new ownership of these banks.

Weak financial profile

Srinivasan said, "The financial profile of these PSBs is very weak, and the standalone profiles of these banks could be low within investment grades rating given their weak asset quality, profitability, capital and solvency profile.”

Capital position weak

As per ICRA’s estimates, cumulatively these banks reported losses of Rs.1.08 lakh crore during FY2016-FY2020 and GoI had to infuse Rs.76,600 crore of capital during this period.

The Gross NPAs (non-performing assets) and Net NPAs for these banks stood weak at 15.5 per cent and 5.3 per cent respectively as on March 31, 2020.

According to the agency, despite capital infusion, the capital position is weak with Tier 1 capital of around 9 per cent and net NPAs are high at 67 per cent of the core capital as on March 31, 2020, translating in weak solvency profile.

Most of these banks were also included in the prompt corrective action (PCA) framework of Reserve Bank of India (RBI) because of their weak operational and financial profile, with three of these six banks still operating under the PCA framework.

Notwithstanding, the weak financial profile, these banks have a sizeable share of about 11.7 per cent in deposit and about 9.3 per cent in advances of the Indian banking system.

ICRA assessed that the net worth of these banks stood at Rs.1.03 lakh crore, whereas the combined market capitalization of these banks stood at about 62,500 crore only, translating into around 40 per cent discount to the book value, reflecting the low asset quality and earnings outlook for these banks.