AIBEA's Banking News

15 to 18 OCTOBER , 2020

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Union Bank of India MD & CEO Rajkiran Rai is new chairman of IBA

PTI , OCT 16, 2020

Rajkiran Rai, Managing Director & CEO, Union Bank of India who has now been appointed chairman of IBA

Indian Banks' Association (IBA) on Friday said Union Bank of India's MD and CEO Rajkiran Rai G has been elected as the association's chairman for the term 2020-21.

"The managing committee of IBA at its meeting held on October 16, 2020 elected Rajkiran Rai G, Managing Director and CEO, Union Bank of India as the chairman, IBA for the term 2020-21," a release said.

State Bank of India's Chairman Dinesh Kumar Khara has been elected as the deputy chairman of the association.

India fares poorly in hunger index

SPECIAL CORRESPONDENT, THE HINDU
NEW DELHI, OCTOBER 16, 2020

Country has the highest prevalence of 'wasted children'; even Bangladesh and Pakistan score better

India has the highest prevalence of wasted children under five years in the world, which reflects acute undernutrition, according to the Global Hunger Index 2020. The situation has worsened in the 2015-19 period, when the prevalence of child wasting was 17.3%, in comparison to 2010-14, when it was 15.1%.

Overall, India ranks 94 out of 107 countries in the Index, lower than neighbours such as Bangladesh (75) and Pakistan (88). 2020 scores reflect data from 2015-19. The Index, which was released on Friday, is a peer-reviewed report released annually by Concern Worldwide and Welthungerhilfe.

Where India stands

The Global Hunger Index score is computed using four indicators — undernourishment, child wasting, child stunting and child mortality. A country's GHI score is classified by severity — low ( ), moderate ( ) and serious ( )

RANK	COUNTRY	2020 SCORE
1-17*	China	<5
64	Sri Lanka	16.3
73	Nepal	19.5
75	Bangladesh	20.4
78	Myanmar	20.9
88	Pakistan	24.6
94	**India**	**27.2**
99	Afghanistan	30.3

***17 countries have scores of less than 5 and are collectively ranked 1-17**

It uses four parameters to determine its scores. India fares worst in child wasting (low weight for height, reflecting acute undernutrition) and child stunting (low height for age, reflecting chronic undernutrition), which together make up a third of the total score.

Although it is still in the poorest category, however, child stunting has actually improved significantly, from 54% in 2000 to less than 35% now. Child wasting, on the other hand, has not improved in the last two decades, and is rather worse than it was decade ago.

India has improved in both child mortality rates, which are now at 3.7%, and in terms of undernourishment, with about 14% of the total population which gets an insufficient caloric intake.

In the region of south, east and south-eastern Asia, the only countries which fare worse than India are Timor-Leste, Afghanistan and North Korea.

Pandemic effect

Globally, nearly 690 million people are undernourished, according to the report, which warns that the COVID-19 pandemic could have affected the progress made on reducing hunger and poverty.

"The world is not on track to achieve the second Sustainable Development Goal — known as Zero Hunger for short — by 2030. At the current pace, approximately 37 countries will fail even to reach ***low*** hunger, as defined by the Global Hunger Index Severity Scale, by 2030," says the report. "These projections do not account for the impacts of the COVID-19 pandemic, which may worsen hunger and undernutrition in the near term and affect countries' trajectories into the future ... COVID-19 has made it clearer than ever that our food systems, as they stand, are inadequate to the task of achieving Zero Hunger."

76% of rural Indians can't afford a nutritious diet: study

SPECIAL CORRESPONDENT, THE HINDU
NEW DELHI, OCTOBER 17, 2020

Paper uses latest available food price and wage information from the National Sample Survey's 2011 dataset

Three out of four rural Indians cannot afford a nutritious diet, according to a paper recently published in journal *Food Policy*. Even if they spent their entire income on food, almost two out of three of them would not have the money to pay for the cheapest possible diet that meets the requirements set by the government's premier nutrition body, it says.

Unlike the Economic Survey's Thalinomics, which provided a rosier picture of meal costs, this study uses the wages of unskilled workers who make up a larger proportion of the population than industrial workers, and includes items such as dairy, fruit and dark green leafy vegetables that are essential as per India's official dietary guidelines.

The paper, titled *Affordability of nutritious diets in rural India*, is authored by International Food Policy Research Institute economist Kalyani Raghunathan and others, and uses the latest available food price and wage information from the National Sample Survey's 2011 dataset.

The findings are significant in the light of the fact that India performs abysmally on many nutrition indicators even while the country claims to have achieved food security. On Friday, the Global Hunger Index showed that India has the world's highest prevalence of child wasting, reflecting acute undernutrition. On indicators that simply measure calorie intake, India performs relatively better, but they do not account for the nutrition value of those calories.

The National Institute for Nutrition's guidelines for a nutritionally adequate diet call for adult women to eat 330 gm of cereals and 75 gm of pulses a day, along with 300 gm of dairy, 100 gm of fruit, and 300 gm of vegetables, which should include at least 100 gm of dark green leafy vegetables. Selecting the cheapest options from actual Indian diets -- wheat, rice, bajra, milk, curd, onions, radish, spinach, bananas -- the study calculated that a day's meals would cost Rs.45 (or Rs.51 for an adult man).

Even if they spent all their income on food, 63.3% of the rural population or more than 52 crore Indians would not be able to afford that nutritious meal. If they set aside just a third of their income for non-food expenses, 76% of rural Indians would not be able to afford the recommended diet.

This does not even account for the meals of non-earning members of a household, such as children or older adults.

"These numbers are somewhat speculative, but they do reveal the scale of the dietary affordability problem in rural India: nutritious diets are too expensive, and incomes far too low," says the paper.

Although their data ended in 2011, since when both food prices and wages have risen, the study's authors recommended that the government develop a similar tool to monitor dietary costs and affordability of nutritious meals. Currently, food costs are measured through consumer price indices (CPIs) which weight foods by expenditure shares. "In poor countries such as India, CPIs are heavily weighted towards nutrient-sparse starchy staples, meaning that trends in the food CPI can be misleading from a nutritional standpoint," said the paper.

Across the Aisle: PM Modi is a cautious leader with a strong bias towards crony capitalism, writes P Chidambaram

P Chidambaram | October 18, 2020 THE FINANCIAL EXPRESS

The sole aim of the propaganda is to raise Mr Narendra Modi to the pantheon of the greatest leaders of India

There is one matter on which we can all agree: no ruling party or government has been as successful as the BJP or Modi government in propagating its views, policies and actions, and to that purpose they will spend any amount of money, bully any ally, threaten any adversary and bend any institution. Hyperbole comes naturally to them, so much so that until February this calendar year they were boasting that India was the 'fastest growing large economy in the world' when the truth was the Indian economy was sliding rapidly towards an abyss.

The sole aim of the propaganda is to raise Mr Narendra Modi to the pantheon of the greatest leaders of India. Faced with the worst economic performance in decades [8 quarters of declining growth rate culminating in a de-growth of (-) 23.9 % in Q1 of 2020-21], the effort now is to portray Mr Modi as a bold economic reformer. The latest to join the cheerleaders is a distinguished academic, Dr Arvind Panagariya. His central thesis is 'Mr Modi has established his reformist credentials alongside PMs like Rao and Vajpayee'. Note that Dr Manmohan Singh does not figure in that list!

To buttress his argument, Dr Panagariya lists five reforms.

1. The Insolvency and Bankruptcy Code: The idea germinated in the Raghuram Rajan Report (2008), was developed by a Committee of Secretaries (2013) and culminated in a draft Bill (2013-14). It was made into a law and passed by the Modi government. It had many defects that have been attempted to be repaired by several Amending Acts, but it is still work-in-progress. The results of four years of the IBC are unsatisfactory. Both credit and discredit must go to Mr Modi.

2. Labour law reforms: Codification of laws is an administrative act, not a pathbreaking reform. Except for raising the threshold from 100 to 300 workers for applying 'hire and fire' in establishments, the other provisions of the four Codes tinker at the margins. Even in capitalist countries where there are powerful unions, no worker can be terminated except for 'good cause'. The unions will fight arbitrary terminations. In countries like India, where only a small proportion of workers are unionized, the only protection is the law. Even now, a worker can be terminated for good cause. Thanks to the new Codes, casualisation of labour and contract labour (through manpower suppliers) will increase. Security of job is a powerful incentive for efficiency and higher productivity on the shop floor. The little security enjoyed by workers is being whittled, and that is why even the Bharatiya Mazdoor Sangh (affiliated to the RSS) is protesting the changes. True labour law reforms need to be done in consultation with the unions and the working class.

3. Farm laws: Less said about the new farm laws, the better. There are problems with the current system of procurement of agricultural produce and reforms are required, but the medicine prescribed by the new laws is worse than the disease. I reiterate my view that debilitating the imperfect mandi system is not the answer. The solution lies in creating thousands of Farmers' Markets in large villages and small towns and obligating the buyer and the seller to conclude the transaction at a price not less than the notified MSP. Laissez faire, the entry of corporates and trading in a totally unregulated environment do not amount to 'reform'. Before we buy Dr Panagariya's argument, he must tell us why the most productive farmers of the country, belonging to Punjab and Haryana, are protesting on the streets.

4. Reform of medical education: I do not understand what radical reform there is in replacing the Medical Council of India by the National Medical Commission. For many years the erstwhile MCI was controlled by a person who was, and is, a close friend of Mr Modi. The idea of replacing the MCI was born in the UPA's tenure. The proof of the pudding will be in the independent functioning of the Commission. The fear is that NMC will also be captured by the BJP, through the government or otherwise, as it has happened to many other bodies including Universities?

5. Liberalizing FDI: During the Narasimha Rao and the Dr Manmohan Singh tenures, the BJP opposed every step toward liberalisation of FDI. The first Bill to open insurance to the private sector including foreign investors that I introduced in 1997 was bitterly opposed — and defeated — by the BJP in opposition! The BJP also stoutly opposed FDI in retail. The Vajpayee government then, and the Modi government now, had a change of heart on FDI, and I welcome that, but it is not a reform that Dr Panagariya can attribute solely to his hero!

In my view, Mr Modi is a cautious leader with a strong bias towards crony capitalism. He supports incipient monopolies. If he wants to undertake genuine, bold reforms — which he can do given his absolute majority in the Lok Sabha, something that neither Narasimha Rao nor Dr Manmohan Singh enjoyed — a list can be put together. The ultimate test of a reform is whether the reform adds to or accelerates the growth rate of the GDP. By that unquestionable standard, the 'boom years' under Dr Manmohan Singh make Dr Singh the reformer par excellence. Let Mr Modi deliver growth before he can aspire to a place among the pantheon of economic reformers.

Indicators point to economic recovery, but recouping may be fragile: Report

PTI | October 17, 2020

THE FINANCIAL EXPRESS

It estimated that the economy is likely to contract by 13.5 per cent in the second quarter (July-September), and the contraction in FY21 (April 2020 to March 2021) is likely to be around 9.5 per cent unless the government takes immediate initiative to revive the economy

Stating that 'crisis is the mother of reforms', Brickwork Ratings said the government has rushed in some important reforms to remove constraints in the farm sector and impart greater flexibility to the labour market

After six months of severe stress triggered by the toughest lockdown so far, some high-frequency indicators point towards economic recovery but there are signs that this revival is fragile, Brickwork Ratings said. It estimated that the economy is likely to contract by 13.5 per cent in the second quarter (July-September), and the contraction in FY21 (April 2020 to March 2021) is likely to be around 9.5 per cent unless the government takes immediate initiative to revive the economy.

"After six months of severe stress triggered by the severest lockdown so far, there finally is some good news on the economy. Some high-frequency indicators point towards economic recovery," it said in a report.

The manufacturing PMI has shown a sharp increase from 52 in August to 56.8 in September, the highest in eight years. GST collections at Rs 95,480 crore in September have recovered to increase by 3.8 per cent from last year and were higher than August collections by 10 per cent. Passenger vehicle sale has increased by 31 per cent while railway freight traffic showed a 15 per cent rise.

After a gap of six months, merchandise exports registered 5.3 per cent growth, driven by outbound shipments of engineering goods, petroleum products, pharmaceuticals and readymade garments. There was an increase in power demand and generation as well.

"However, there are indications that this recovery is fragile. Capital expenditure on new projects declined by 81 per cent in the second quarter over the corresponding period last year, showing a continuous declining trend in investments," the rating agency said. Also, core sector growth was (-)8.5 percent in August.

The credit-deposit ratio declined in the three fortnights ending September 11, 2020, and non-gold, non-oil imports continue to decline. In the first quarter, the GDP contraction was 23.9 per cent, and except agriculture and allied sectors, all other sectors suffered negative growth rates.

The sharpest contraction was in the construction sector (-50.3 per cent), followed by trade, hotels, transport, storage and communication (-47 per cent) and manufacturing (-39.3 per cent). "Even as the economy is seen to be on the mend, contractions in these sectors are likely to continue, although at a slower pace," it said.

Stating that 'crisis is the mother of reforms', Brickwork Ratings said the government has rushed in some important reforms to remove constraints in the farm sector and impart greater flexibility to the labour market.

"The merging of 24 central labour laws into four codes is an important reform to impart greater flexibility to the labour market and ending inspector raj," it said. It said these structural reforms are important to improve the economic environment, ease of doing business and ending inspector raj.

"However, the immediate task the government has to address is the removal of supply chain disruptions and augment aggregate demand to lift the economy out of the morass," it said. "This requires the government to initiate measures to increase public spending, undertake banking reforms to incentivise lending, police and judicial reforms to protect life and property, and enforce contracts and reverse the protectionist trend that has crept in during the last three years in the interest of making the domestic production sector competitive and export-oriented," the agency said.

Brickwork Ratings said the stimulus package announced so far does not entail a substantial fiscal package. The quick economic revival requires the government to loosen its purse to augment aggregate demand, it said.

"It should be less dogmatic on fiscal targets in the current and next year. More importantly, it can substantially augment public spending by undertaking disinvestment and in some cases such as Air India, privatisation to increase public investment expenditures," the agency said.

LIC IPO: RFP soon to appoint actuary to determine shareholder value

Shishir Sinha New Delhi | October 16, 2020 BUSINESSLINE

The Department of Investment and Public Asset Management (DIPAM) will soon issue a Request for Proposal (RFP) to appoint an actuary for determining the Indian Embedded Value (IEV) for Life Insurance Corporation of India.

The IEV is a measure of the consolidated value of shareholders' interest in the life insurance business within the meaning of the Insurance Act, 1938, and applicable IRDAI regulations.

"IEV is one of pre-condition of the IPO for LIC and that needs to be determined by an independent actuary," a top Finance Ministry official told ***BusinessLine***.

The official also said this is one of the processes being finalised along with other requirements for IPO The official did not rule out the possibility of the IPO being shifted to the next fiscal.

Shareholders' interest

IRDAI regulations require an applicant company to file the 'Embedded Value' before an IPO. The valuation report needs to be prepared by an independent actuary and peer reviewed by another professional.

No extension for BPCL bid

The official also hinted that there may not be any further extension for submitting the Expression of Interest (EoI) to buy a controlling stake in Bharat Petroluem Corporation Ltd (BPCL).

"I don't see further extension for submitting the EoI to buy Government's stake in BPCL," the official said. The government plans to sell all its nearly 53 per cent stake in BPCL (except BPCL's 61.65 per cent stake in Numaligarh Refinery). The fourth extension ends on November 16.

The official said even the buyer for strategic disinvestment in Numaligarh has been identified and it is one of the Central Public Sector Enterprise, still, there is no plan to complete the process independently or before BPCL. "We do not want to create disruptions here as BPCL already initiated some project in the refinery," he said while emphasising that there will be co-ordinated effort.

Overall strategic disinvestment

The official said the strategic disinvestment plan is back on track. "There have been delay on account of the pandemic, but now that delay is not expected to be prolonged," he said. Strategic sale of Central Electronics Ltd and two plants (Salem and Bhadrawati) are in an advanced stage.

He also said the process of issuing EoIs for strategic sale of Bharat Earth Movers Ltd (BEML), Neelachal Ispat Nigam Ltd (NINL), CONCOR, Shipping Corporation and Pawan Hans is on and expected to be released soon.

Now, PMC depositors seek bank merger to access cash

K Ram Kumar Mumbai | October 16, 2020 BusinessLine

After literally moving heaven and earth for the last 13 months to find a resolution to scam-hit Punjab and Maharashtra Cooperative (PMC) Bank, the PMC Depositors Forum has now approached its Administrator with a proposal to get the bank merged with either a public sector bank (PSB) or a strong private sector bank in a bid to get access to their hard-earned money.

The forum has liaised with the central bank, Finance Ministry and politicians cutting across party lines, among others, and its members, including many senior citizens, even took to the streets amid the raging Covid-19 pandemic to draw the attention of the authorities to their struggle for survival but to no avail.

Chander Purswani, President, PMC Depositors Forum, observed that it has been more than a year since PMC Bank was put under Directions, but there has been no resolution for the bank.

"It is high time we got a resolution so that all depositors get their hard earned money back.

"Our depositors are under tremendous stress and strain. Already, 80-plus PMC family members have lost their valuable lives. An urgent action will be highly appreciated," said Purswani in his letter to the Administrator, AK Dixit.

There have been earlier instances of weak urban co-operative banks (UCBs) getting merged with public sector banks: Pune-based Shri Suvarna Sahakari Bank merged with Indian Overseas Bank and Memon Co-operative Bank merged with Bank of Baroda.

Merger proposal: According to the proposal mooted by the Forum, the bank acquiring PMC Bank will not only takeover all the assets and liabilities of the latter, but also get an existing client base of over 9.2 lakh customers spread over branches at strategic locations, thereby improving its revenue opportunities.

The proposal highlighted that the acquiring bank will get the benefit of lower tax on profits due to offset of net loss (of PMC Bank) in its books.

Purswani felt that PMC Bank's depositors are unlikely to withdraw their deposits once the bank gets merged with a stronger bank.

According to the forum, PMC Bank's networth is negative at Rs.5,875 crore. As per the merger proposal, the expectation is that all institutional investors will convert their deposits aggregating Rs.2,500 crore into Innovative Perpetual Debt Instruments.

Further, the acquiring bank will infuse capital amounting to Rs.3,500 crore (in lieu of PMC Bank's assets amounting to Rs.1,000 crore; and the acquiring bank could get tax benefit of Rs.2,000 crore as per Income Tax provisions, plus Income Tax refunds applicable to PMC Bank).

The forum assessed the total deposits of individual depositors at Rs.8,000 crore. Further, the bank's total liquidity, including SLR (statutory liquidity ratio) investments and CRR (cash reserve ratio) balances with the RBI, at Rs.2,700 crore.

Even if half of the funds are withdrawn by individual depositors for contingency, the acquiring bank will still have Rs.4,000 crore worth of deposits.

The proposal assumes that the Deposit Insurance and Credit Guarantee Corporation will provide interest free loan of Rs.4,500 crore (in lieu of liquidation of receivables from the real estate company due to which PMC Bank got into trouble and its subsidiaries and other receivables of PMC Bank). The balance available for day to day banking business is Rs.3,200 crore.

PMC Bank depositors have been suffering untold miseries as they can withdraw only Rs.1 lakh (per depositor) of their total balance in their account for the entire 15-month period (up to December 22, 2020) that the bank will be under RBI Directions.

World experiencing one of the deepest recessions since Great Depression due to COVID-19: World Bank

PTI

WASHINGTON, OCTOBER 15, 2020

THE HINDU

The world is experiencing one of the deepest recessions since the Great Depression in the 1930s owing to the novel coronavirus, World Bank President David Malpass has said, terming the COVID-19 pandemic a "catastrophic event" for many developing and the poorest countries.

He told reporters that given the extent of the economic contraction, there was a rising risk of disruptive debt crises in countries.

So that has got a lot of focus here at the meetings, Mr. Malpass told the media on Wednesday at the start of the annual meetings of the International Monetary Fund and the World Bank.

"The recession has been deep, one of the deepest since the Great Depression. And for many developing countries, and for the people in the poorest countries, it is truly a depression, a catastrophic event. It is continuing to add to the ranks of those in extreme poverty," he said.

That is the focus of this meeting and the focus of their actions, he said, adding that the World Bank was building as big a growth programme for countries as they can in this fiscal year.

A day earlier, the Board approved the extension of the health emergency programmes to up to $12 billion for vaccines and therapeutics and distribution of those in countries that do not otherwise have access.

Responding to a question, Mr. Malpass said that the world was currently experiencing a K-shaped recovery.

That means that the advanced economies have been able to provide support, especially for their financial markets and for people that have jobs that can be done by working from home. But people that are in the informal economy have lost their jobs, and are depending on social protection programmes, he said.

For the developing countries, and especially the poorest developing countries, that downward leg in the K is an increasingly desperate recession or depression that is facing people in the poorest countries because of the loss of jobs, the loss of income, and also the loss of remittances coming from workers, working outside the country, Mr. Malpass said.

"What we're trying to do at the World Bank is recognise that problem and provide extra support for social protection for the poorest in countries, also recognising the agricultural challenges," he said.

The president welcome countries that are keeping open their export markets, and also countries that are able to change their subsidy systems in order to allow more food availability within their economies during this very challenging time.

Mr. Malpass said that the first priority was saving lives, people's health, and safety.

That involves procedures that have been widely discussed of social distancing and masks and proper health care if people contract the virus, strengthening of hospital systems and so on. All of those are important, he asserted.

"And then, as we look at the next stage, what I think we can be talking about is that it's going to be a prolonged downturn for many of the countries, there won't be as fast a rebound in tourism, for example, as many would like to have," he said.

There will need to be flexibility in economies, so that people can move to new jobs and positions, and the country can be prepared for a post COVID-19 global economy, Mr. Malpass said.

Acknowledging that it is going to be different from the pre-COVID-19 economy, he noted that one does not know exactly how and that will only evolve over time.

"And so, having countries preserve some of their core industries and businesses, and then keeping families together. We're providing social safety nets to try to help provide cash grants for people, for example, in Brazil, we have a sizable programme. In Jordan, we support Jordan's sizable programme and elsewhere around the world, he said.

The World Bank is encouraging countries to spend in the first instance on health programmes, on social programmes, and on education, Malpass said, adding that a critical step for countries is to reopen schools.

"We think there are as many as a billion children still out of school in the developing world. And in those cases, learning goes backward, which has a huge future cost for countries. This is particularly true for girls that are left out at a critical point in their lives, left out of school. That's a high priority, he said.

Now, looking longer term, infrastructure is a very important part of a country's growth, he said.

"We have a large undertaking through the IFC that works on infrastructure that helps provide electricity and low carbon ways, for example, that helps provide clean water, that helps provide global public goods, meaning helping the country reach a balance with the environment and with the climate that benefits themselves and their neighbours. All of those are key priorities, he said.

On infrastructure, one of the challenges is they have a very low interest rate environment, and it should be an environment that provides much more infrastructure investment than is currently occurring, Malpass said.

"A key step in this is the documentation and the standardisation of the quality of the infrastructure projects. It's vital that the world move toward a financing structure where multiple infrastructure projects can be pooled in order to reduce the risk to the entire package, and that's difficult right now because of the difference in the contracts.

"So, one of the things we've wanted to do is try to help standardise some of the contracting and make it much more transparent. This will help the infrastructure build up, he said.