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The signal and the noise in India's jobs data

The new subscribers to EPFO likely represent formalization of a section of the regular workforce rather than new additions to it

The different pieces of evidence do not paint a very rosy picture about job opportunities in the countryside, or indeed, in the country

Jun 13 2018 | Udayan RathorePramit Bhattacharya

live mint

New Delhi: Ahead of the 2019 Lok Sabha elections, the jobs debate in India has heated up once again. Spokespersons of the National Democratic Alliance (NDA) claim the Indian economy has created an unprecedented number of jobs over the past couple of years. The opposition as well as some independent critics of the government claim that job creation has come to a virtual halt, and the past few years have witnessed "jobless growth".

A *Mint* analysis based on a broad range of data sources suggests that the claims of jobless growth are exaggerated. However, the pace at which salaried or regular jobs are being added in the economy seems to be much slower than the pace at which such jobs were being generated even half a decade ago.

Data from the past two quinquennial employment surveys of the National Sample Survey Office (NSSO) show that between 2004-05 and 2011-12, the net annual addition to regular jobs was roughly two-and-a-half million. Between 2011-12 and 2016, the net annual addition to regular jobs slowed to roughly one-and-a-half million. Thus, the share of regular workers in the workforce went up significantly between 2004-05 and 2011-12 but has increased only marginally since then.

The 2016 data is based on the ICE 360° survey, a nationally representative sample of 61,000 households conducted by the independent not-for-profit organization People Research on India's Consumer Economy (PRICE), headed by two of India's best-known consumer economy experts, Rama Bijapurkar and Rajesh Shukla.

Data from the Annual Survey of Industries (ASI) and from corporate filings collated by the Centre for Monitoring Indian Economy (CMIE) shows a similar trend of slowing job creation in the organized sector. Corporate job growth declined sharply after 2011-12 and has recovered since then but the pace of recovery is still slower than what it was in the years leading up to 2011-12, as an earlier Plain Facts column had highlighted.

What's more, the share of regular workers with some form of social security—those having either provident fund (PF)/pension or gratuity or healthcare/health insurance or maternity benefits—seems to have declined steadily over the past decade. Nearly half of all regular workers had access to some form of social security in 2004-05. That proportion fell to 45% in 2011-12 and declined further to 38% in 2016.

More than two-thirds of the salaried class lacked a written contract, and roughly two-thirds did not have provident fund/pension benefits in 2016, according to the ICE 360° survey.

The share of regular workers with PF benefits may have changed over the past couple of years though, with intense efforts by the Employees Provident Fund Organization (EPFO) to bring more subscribers under its net. The organization, which claims an active subscriber base of 60 million accounts, added more than 10 million accounts in the first half of 2017 under an amnesty scheme. Between September 2017 and February 2018, the EPFO added more than 3 million accounts, a recent data release showed. While these numbers have been cited as evidence of job growth, they are more likely evidence of increased penetration of social security benefits among the salaried class. Given that two-thirds of regular workers or roughly 54 million regular workers lacked access to PF benefits in 2016, it is likely that a fraction of them have now been provided such benefits. Our policymakers would do well not to confuse such noise with the signals about slow job growth emerging from a broad variety of sources.

They would also do well to pay attention to the distribution of such jobs. For instance, data from the quinquennial NSSO surveys show that the share of educated landed families in regular jobs was relatively low in 2004-05, and declined further in 2011-12.

The share of marginal and small landowners with at least a higher secondary or diploma degree in regular jobs was relatively higher than the share of medium and large landowners with the same qualifications in such jobs even though regular workers among large land-owners were more likely to have social security benefits. The lack of adequate regular jobs may be one reason behind the frustrations of the educated and landed sections of rural India, who took to the streets in states as varied as Maharashtra and Haryana to demand job quotas in recent years.

On balance, the different pieces of evidence do not paint a very rosy picture about job opportunities in the countryside, or indeed, in the country.

Nirav Modi's Indian passport a mystery

Kallol Bhattacherjee & Devesh K. Pandey
NEW DELHI, JUNE 13, 2018
THE HINDU

External Affairs Ministry claimed to have revoked it in February; investigating agencies likely to take up the issue this week

Investigating agencies, in a meeting scheduled for this week with External Affairs Ministry officials, are likely to take up the issue of how fugitive

Nirav Modi had been travelling on an Indian passport even after the Ministry claimed to have revoked it in February.

It is learnt that the meeting is specifically on the issue of extradition requests. Asked whether the issue of Mr. Nirav Modi would also be taken up, the Ministry declined to comment.

In response to an Interpol diffusion notice, which sought confirmation on the fugitive's movements and location, the agencies have received information from foreign jurisdictions revealing that he had been travelling on an Indian passport till March 31 and had also visited the United Kingdom. "It is surprising how he was allowed to use an Indian passport," said an official. The CBI has now approached the Interpol to issue Red Notice to Nishal Modi and Subhash Parab too.

The agency had earlier applied for Red Notice against Mr. Nirav Modi and his uncle Mehul Choksi. While his brother Nishal is a Belgian citizen, Mr. Parab is an executive in his company.

The Enforcement Directorate has also written to the Interpol for issuance of Red Notice against Mr. Nirav Modi after the special court took cognisance of its charge sheet on Tuesday.

On Wednesday, the CBI reiterated that the current location of Mr. Nirav Modi is not known. On February 15, the agency had sent the diffusion notice in an effort to locate him and other accused persons. In response, it has received some information regarding his movements in the United Kingdom.

However, the CBI is yet to get a confirmation on his present whereabouts. "After getting the diffusion notice issued through the Interpol channel on February 15, the CBI proactively pursued it with individual countries likely to be visited by the accused fugitives, reiterating confirmation of their addresses/locations," said a CBI official.

The official said the UK National Central Bureau (Interpol) had shared certain details of movements of the fugitives which have been shared with the investigating units and other sister agencies for further probe.

Nirav beneficiary of PNB funds: ED

Sonam Saigal
MUMBAI, JUNE 13, 2018
THE HINDU

Says he was paid Rs.137.33 crore from dummy companies and was an indirect recipient of LoU funds

Diamond merchant Nirav Modi was the personal beneficiary of Rs.137.33 crore paid by Punjab National Bank (PNB) from three dummy companies and also an indirect recipient of letter of undertaking (LoU) funds, says a complaint filed by the Enforcement Directorate.

The Hindu has a copy of the complaint. "The LoUs issued in 2017 became due in January 2018, and the scam came to the fore since the new officials posted at the PNB Brady House branch refused to issue new LoUs without the requisite documents and sanctions, resulting in subsequent default in the repayment by the said three firms. Initially, the LoUs were issued for smaller durations — for three months. However, it was later changed to 360 days in order to gain maximum benefit out of these dealings. It is seen that the repayments towards previous LoUs were made either by diverting money received from some other LoU or by creating more and more LoUs, whereby increasing the exposure," it says.

The ED says: "Rs.2240.63 crore was transferred to Firestar Group Companies from Axis Bank accounts of the three firms, namely, Diamond R US, Solar Exports and Stellar Diamond. From the credits in PNB accounts of the three firms, it has come to light that out of the said Rs.2,240.53 crore which was transferred to Firestar Group, run by Mr. Modi, Rs.2,076.06 crore was further sent to the PNB accounts for payment to earlier LOUs, completing a full circle."

Indirect recipient

Mr. Modi has been paid Rs.137.33 crore from the three dummy companies and therefore is an indirect recipient of the LoU funds and Rs.1,302 crore was received in PNB accounts of the three companies from other sources. A total of Rs.12,655 crore was paid to banks from PNB accounts to settle the earlier issued LoUs. The ED has searched Mr. Modi's companies: two in Delhi, seven in Surat, five in Mumbai, and one in Jaipur. It found various assets including raw gold, diamonds, pearls, precious stones and much more. The total seizure value as per the books is more than Rs.1,785 crore while the worth as per the valuation report is around Rs.489 crore.

Gokulnath Shetty, the then Deputy Manager of the PNB at Brady House, in his statement told the ED: "Last year, approximately 100-150 LoUs were issued to Mr. Modi's group companies of around Rs.5,000 crore. He also said that for Mehul Choksi's companies around Rs.2,000-3,000 crore worth LoUs were issued for a period of one year towards import of pearls. Mr. Shetty also unveils that foreign letters of credit (FLC) were issued for around Rs.2,000-3,000 crore and that there was no sanctioned limit for it and mentions 100% margin was available for Nirav or Mehul group companies."

Cabinet clears HDFC Bank's proposal to raise Rs.24,000 crore via FDI

SPECIAL CORRESPONDENT
NEW DELHI, JUNE 13, 2018
THE HINDU

The decision would ensure that the composite foreign shareholding in the bank inclusive of all types of foreign investments, both direct and indirect, will not exceed 74% of the enhanced paid-up equity share capital of the bank

The Union Cabinet on Wednesday approved the proposal to grant HDFC Bank permission to raise additional capital of up to Rs 24,000 crore from foreign direct investment.

"The Union Cabinet has approved the proposal for grant of permission to M/s. HDFC Bank Ltd. to raise additional share capital of up to a maximum of Rs 24,000 crore, including premium, over and above the previous approved limit of Rs 10,000 crore, such that the composite foreign shareholding in the bank shall not exceed 74% of the enhanced paid-up equity share capital of the bank," the government said in a release.

"The decision would ensure that the composite foreign shareholding in the bank inclusive of all types of foreign investments, both direct and indirect, will not exceed 74% of the enhanced paid-up equity share capital of the bank," the release added. "It will be subject to foreign direct investment policy conditionalities and other sectoral regulations/guidelines."

Capital adequacy ratio

The government added that the proposed investment is expected to strengthen the capital adequacy ratio of the bank.

In December, HDFC Bank's board approved a capital raising plan of Rs 24,000 crore through a mix of instruments including preferential allotment to its parent HDFC. HDFC plans to infuse Rs 8,500 crore in HDFC Bank.

Fitch cuts SBI, Bank of Baroda viability ratings

SPECIAL CORRESPONDENT MUMBAI, JUNE 13, 2018

THE HINDU

'Poor asset quality has hurt risk profile'

Ratings agency Fitch has downgraded viability ratings of State Bank of India and Bank of Baroda by a notch to 'bb+' and 'bb' respectively citing the lenders' weakened risk profile due to poor asset quality and the vulnerability of their capital buffers to moderate shocks.

"Eleven banks reported common equity Tier 1 ratios that fell short of the 8% requirement for Basel III's final phase of capital migration," Fitch said in a release on Wednesday. "We expect internal capital generation to remain weak, although many state banks should be able to recover from losses in FY19." Fitch has a 'negative' sector outlook on Indian banks.

However, Fitch said "sector NPL ratios are closer to what we believe would be full recognition of legacy problems and provision cover has improved."

The ratings agency said Indian banks' solid and resilient funding and liquidity positions remained intact and while deposit growth had slowed since demonetisation, depositor confidence remained high due to state banks' government ownership.

"This is evident in banks' retail deposit composition, which generally exceeds 80%," Fitch added.

Is the RBI only a toothless tiger?

NS VAGEESH | MUMBAI, JUNE 13

THE HINDU BusinessLine

The next time the Reserve Bank of India sends a missive or stern warning to any public sector bank, it may well be ignored, or not be taken seriously by any Managing Director or CEO, who, till now, quaked at the prospect.

The MDs & CEOs can even despatch its letters and guidance straight to the waste paper basket. They can even tell the RBI to get off its high horse.

Sounds facetious and intemperate? Sounds like fiction? Perhaps.

Toothless giant

But wouldn't that be the response, if the RBI had no powers over public sector banks? And who dare say that the RBI has no powers over them?

Well, er, that confession of supervisory impotence just came from the RBI Governor himself in a submission to a Parliamentary Panel.

This is the second time he is making this admission, having made a similar argument three months ago in a speech at the Gujarat National Law University, Gandhinagar.

The RBI supposedly doesn't have any power, for reasons that are downright laughable. Apparently, public sector banks are not banking companies under the definition of Sec 5(c) of the Banking Regulation Act, and are statutory corporations to which the concerned section doesn't apply. This apparently is a great constraint for the RBI. Apart from the fact that it does not have the power to appoint or remove CMDs or directors, give a licence or remove it, impose conditions, call meetings of bank directors or depute its officers for board meetings or appoint observers.

Pray, then, what have they been doing for the past seventy years? And exactly when did they discover that they did not have any powers? If it was discovered earlier and the RBI kept quiet, then that's clearly a lapse – for which a probe ought to be instituted and all the distinguished gentlemen who knew that they lacked powers but did nothing about it, ought to be hauled up. If on the other hand, they didn't know that they didn't have powers, but managed handsomely without it for the past seventy years, there is no reason that it is a constraint suddenly, just now and only for the current Governor.

A lame excuse?

It is clear that the argument that it has insufficient powers is a bogey raised by the RBI to avoid responsibility for any of the ills of the banking system. The Governor was called by the panel to explain how the PNB scam occurred and why it couldn't be prevented.

It may be stretching belief to expect the Governor would render a *mea culpa* for the RBI's role in those problems. It is conceded that no regulator can prevent all frauds. But neither can a clean chit be given just because they didn't have powers. Exactly which power or lack thereof came in the way of preventing either the PNB scam or any of the other 5,900-odd cases of fraud recorded last year?

In the aforementioned speech at Gandhinagar, the RBI Governor had referred to the 'usual blame game, passing the buck and a tonne of honking – mostly short-term and knee-jerk reactions' that came in the wake of the scam. One is tempted to ask, what is this about lack of powers, if it is not all that you said above?

The RBI Governor had then compared the ongoing NPA clean-up to the mythical churn of the Mandara mountain for getting 'Amrit' and said: "Until the churn is complete and the nectar of stability safely secured for the country's future, someone must consume the poison that emanates along the way. If we need to face the brickbats and be the *Neelakantha* consuming that poison, we will do so as our duty".

Hong Kong regulator enhances supervision on Allahabad Bank

OUR BUREAU | KOLKATA, JUNE 13 BusinessLine

The Hong Kong Monetary Authority enhanced the supervisory arrangements on the Hong Kong branch of Allahabad Bank. The move comes barely a month after the Reserve Bank of India imposed "certain additional actions" on the bank.

In a regulatory filing to the stock exchanges, the bank said that the decision was based on the assessment of the implications of the bank's capital position as on March 31, 2018. Allahabad Bank's capital adequacy ratio stood at 8.69 per cent as on March 31, 2018.

Under the enhanced supervisory arrangements, the bank will be required to maintain high-quality liquid asset in Hong Kong, equivalent to 100 per cent of unpledged deposits.

"The bank should not proactively solicit customer deposits in Hong Kong. However, transactional deposits such as pledged deposits for commercial loans would be excluded from this supervisory arrangement," the bank filing said.

This apart, the bank should maintain a position of 'net due to' its head office, other branches and any direct or indirect subsidiaries and associates. The bank should also not incur additional non-bank credit exposures.

The bank currently has only one overseas branch with a dealing room in Hong Kong. The business of the branch decreased by nearly 9 per cent to Rs.12,871 crore as on March 31, 2018, compared to Rs.14,130 crore in the same period last year.

The branch had a total deposit of Rs.2,762 crore and advances of Rs.10,108 crore. It earned an operating profit of Rs.91 crore and net profit of Rs.45 crore in FY18.

Allahabad Bank was already placed under Prompt Corrective Action (PCA) in January this year. Subsequently, in May, the RBI had advised the bank to restrict expansion of risk-weighted assets, and reduce exposure to non-rated and high-risk advances.

The central bank had also restricted the bank from creation of non-banking assets, and advised it to restrict itself from accessing or renewing wholesale or costly deposits or certificate of deposits.

Despite ban, crypto-exchanges finding new ways to prosper

Convert to crypto-to-crypto trading platforms, shift base overseas to escape RBI crackdown

ABHISHEK LAW | KOLKATA, JUNE 13 BusinessLine

The Reserve Bank of India (RBI) in an April circular barred Indian banks from dealing with crypto-currency exchanges. But they are finding ways around it, such as converting to crypto-to-crypto trading platforms, or shifting base overseas to escape regulatory crackdown.

According to a crypto-currency trading platform founder, as of now, there is an effective ban on fiat (Indian currency) to crypto trading. But, there is no harm in peer-to-peer trading, or exchanging one crypto currency against another.

The RBI, through its notice titled 'Prohibition on dealing in Virtual Currencies', mandated banks, e-wallets and payment gateway providers to withdraw support to crypto-currency exchanges and other businesses dealing with VCs in India. A period of three months (from April 6) was granted.

Zebpay and Kionex, for example, have crypto-to-crypto trading platforms.

While Zebpay has one pair of cryptos, Koionex has 23-odd pairs.

Unocoin, on the other hand, has launched UNODAX, a multi-crypto asset exchange. Sathvik Vishwanath, co-founder & CEO at Unocoin, was unavailable for comments.

BuyUcoin, established in 2016 as a crypto-currency exchange and wallet company, has announced the launch of its own token, BuyUcoin Token (BUC).

According to Shivam Thakral, co-founder and CEO, BuyUcoin Token is expected to be established with a total supply of 100-million tokens. BuyUcoin, for instance, offers the facility to exchange over 31 different crypto-currencies, including Bitcoin, Ripple, Litecoin, Ethereum, NEO, Dash, OmiseGo, Steem, among others.

"We will be charging a commission on crypto-to-crypto trade. Decentralised exchanges will take this industry forward," he told BusinessLine.

Relocating base

In fact, BuyUCoin, according to Thakral, is shifting its base to Singapore. "It is a Singapore-based company that will operate the crypto-to-crypto exchange and the token. So it is not going to be under the purview of Indian laws," he said.

He is not alone. Vishal Gupta's Binex.trade – a crypto-currency exchange – too is registered out of Singapore. And within the next three to four months, they would be shifting base to Estonia.

There are others too like IDAP who have shifted base, sources say.

Several crypto-currency exchanges also have also challenged the RBI circular in the Supreme Court, the hearing for which is due on July 20.

According to Gupta of Binex.trade, crypto-exchanges have a two-pronged approach, which includes filing a petition in the Supreme Court to get a stay, or shifting businesses overseas so they can continue as crypto-to-crypto trading platform.

As Avimukt Dar, Partner, IndusLaw puts it, crypto-currecny exchanges are planning to file for an early hearing before the Supreme Court regarding the matter.

"The parties appear to have found out through an RTI that the RBI may not have formed a committee and perhaps acted without detailed reasoning. They are likely to file for an early hearing before the Supreme Court in order to get a stay before the RBI circular comes into effect, unless the RBI agrees to extend the deadline," he said.

Final guidelines for ARC sponsors soon: RBI official

PTI | MUMBAI, JUNE 13 BusinessLine

The Reserve Bank will formalise the 'fit and proper' criterion for sponsors of asset reconstruction companies and will soon come out with regulations for the same, a central bank official said today.

Manoranjan Mishra, a chief general manager at the department of non-banking regulation at RBI, said there is a growing interest in the asset reconstruction companies (ARCs) and the central bank has received several applications for setting up new ARCs.

"For ARCs, sponsors have to be 'fit and proper'. The criterion for fit and proper is something that we are working on and we'll come out with some regulations around it. It will be more a formalisation of what we already have," Mishra said at an NBCF meet organised by industry lobby IMC.

He said even today those who give applications to set up ARCs have to justify how they consider themselves fit and proper to be ARC sponsors to get a licence. There are 25 ARCs operating in the country at present.

Mishra said there is a need to deepen the market for security receipts, which are issued by ARCs by developing a secondary market and also allowing more players. On peer-to-peer (P2P) lending, he said RBI has got several applications and is in the process of giving licences to those who qualify.

Last October, RBI had issued directions for NBFCs that operate P2P lending platforms. "We understand that P2P players are happy to work in a space that is regulated rather than work with uncertainties," Mishra said.

The central bank is also planning to put out a reference document to be followed by account aggregator platforms, as there are some concerns around protection of customers and their data.

Talking about account aggregators, he said there is tremendous potential for this business as the kind of information that will be available through them will be of help to lenders and other stakeholders.

Account aggregators, to be authorised by RBI, can pull out information on financial assets of customers, on request, consolidate them and give them back to customers or users who want the information. Mishra said the ombudsmen scheme in the NBFCs sector currently covers only deposit-taking NBFCs, but soon it will be extended to all NBFCs.

AIBEA THIS DAY MAY 15	
1922	**Former President of AIBEA, A C Kakkar (date of birth)**
1955	**One hour strike in Central Bank, Bank of Baroda and Bank of India in Madras, UP etc., against non release of increments.**
1962	**Tiffin time demonstration all over the country demanding publication of Desai Award.**
1998	**UFBU meets Finance Minister on Narasimham Committee Report.**
2007	**AIBEA Delegation meets Minister of Finance, Delhi on Demands of deposit Collectors.**
2013	**Com R J Sridharan, General Secretary, AIBOA passed away**

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