



'PSBs to turn profitable in 1-2 years'

[OUR BUREAU](#) | KOLKATA, AUGUST 18

THE HINDU
BusinessLine

Subhash Chandra Garg, Secretary, Department of Economic Affairs, on Saturday said public sector banks are likely to come out of the Prompt Corrective Action (PCA) framework and turn "profitable" in the next one-to-two years.

As many as 11 of the 21 state-owned banks are currently under Reserve Bank of India's PCA framework for breach of certain regulatory thresholds, including capital-to-risk weighted assets ratio, asset quality (net non-performing assets) and profitability (return on assets).

"The provision for stressed assets has already been made and no new large NPA generations are happening. The IBC (Insolvency and Bankruptcy Code) process is also helping in resolution of NPAs. So the worst is behind us and we can look for a healthy banking system moving forward," Garg said at an interactive session organised by the Merchants' Chamber of Commerce in the city on Saturday.

It is to be noted that the 11 banks under PCA are restricted from dividend distribution, branch expansion (both domestic and overseas), increasing the size of their loan book and higher provisions have been imposed on them, depending on the level of risk thresholds breached. These apart, some banks such as Dena Bank and Allahabad Bank are also facing 'additional restrictions' in the form of curb on expansion of risk-weighted assets and exposure to un-rated and high-risk advances.

However, according to Garg, things should 'turn better' and the profitability will improve soon.

Rupee to stabilise

The rupee, which had breached 70 to a dollar recently, is likely to stabilise around 68-69 levels soon, he said. The Indian currency has depreciated by around 6.7 per cent against the US dollar since the beginning of this fiscal. On Thursday, the rupee touched an all-time low of 70.39-40, before closing at a record low of 70.16 against the greenback.

"This breaching of the 70 (mark) was on account of external factors, largely on what happened in Turkey. Our fundamental equation for the trade has not been changed. Oil prices have not gone up. Therefore, the demand-supply situation for dollars in the Indian economy has not altered. Our perception is that very soon it will stabilise and it might go back to 68-69 levels," he said.

Greece set to exit bailout, still faces daunting challenges

[REUTERS](#)

ATHENS, AUGUST 18, 2018
THE HINDU

Banks are saddled with huge bad loan portfolios and public debt is 180% of GDP

Greece exits the last of its three bailouts on Aug. 20 and hopes to be able to borrow again in international markets after a nearly nine-year debt crisis that shrank the economy by a quarter and forced it to implement painful austerity measures.

The crisis has proven deeply traumatic for Greeks who had enthusiastically swapped drachmas for euros in 2001. Adoption of the single currency ushered in an era of cheap credit that funded a splurge in private consumption and public spending that sent Greece's budget and current deficits ballooning.

Since the debt crisis exploded in early 2010, four successive governments have fought to keep bankruptcy at bay, relying on the biggest bailout in economic history, more than 260 billion euros lent by Greece's euro zone partners and the IMF. As Athens now eyes a return to normality and reclaiming its economic sovereignty, the scars remain — banks are saddled with huge bad loan portfolios and Greece's public debt load is still the highest in the eurozone, at 180% of national output.

But sunshine is breaking through the clouds. The economy, which shrank by 26% in the crisis years, has started to grow, tourism is booming and unemployment is slowly coming down — to 19.5% from a peak of almost 28%. "If there is a lesson that we learned from the crisis it is that, under any circumstances, you must try to protect macroeconomic stability," said Panos Tsakloglou, chief economist of the previous coalition government.

"Populist policies that may win some votes today and have disastrous effects some years down the road must be avoided at all costs. Otherwise, sooner or later we will end up in the situation we are in now," he said.

Out of intensive care

Greece's economy grew for a fifth straight quarter in January-to-March, the expansion picking up pace to a yearly 2.3%, a sign the recovery is gaining traction, helped by net exports. The EU Commission sees 1.9% growth this year. But scepticism remains, including at the International Monetary Fund which sees the recovery strengthening and growth reaching 2% this year and 2.4% in 2019, but says that "external and domestic risks are tilted to the downside".

Post-bailout, Athens has committed to attain primary budget surpluses — excluding debt servicing outlays - of 3.5% of GDP until 2022, and 2.2% until 2060.

Debt relief agreed with Greece's euro zone partners in June, which extends maturities on some loans and softens the interest rate burden on others, will help cushion the country's return to markets.

These debt relief measures, coupled with a 24 billion euro cash buffer, will help to improve debt sustainability over the medium term, facilitating Greece's access to markets. But the IMF says long-term sustainability remains uncertain and a "realistic" rethink is needed on assumptions for primary balance targets and economic growth.

"I don't see a reason for jubilation concerning our exiting the memorandum [bailout] because ... you may be jumping out of the frying pan into the fire," said Thanos Veremis, emeritus professor of history at Athens University.

"Most people have been taxed dry, people are completely immersed in paying the tax man, with little money left on the side to put into your business and therefore improve and grow."

IBC: Centre now plans to regulate valuers

[SPECIAL CORRESPONDENT](#)
MUMBAI , AUGUST 18, 2018
THE HINDU

Faulty valuation can jeopardise outcomes, says official

The government is considering the introduction of a new law to regulate registered valuers under the Insolvency and Bankruptcy Code (IBC) as a faulty valuation can jeopardise the outcomes of the process.

"You have got registered valuers who don't have a separate law," said Injeti Srinivas, Secretary, Ministry of Corporate Affairs (MCA). "It is a very serious area because valuation is at the heart of the process."

"If the valuation is faulty, outcomes will be undesirable. We are looking at the possibility of having a separate law like we have for chartered accountants or company secretaries; whether we can have a full-fledged law to regulate this because they are most critical."

He was speaking at 'Insolvency and Bankruptcy Code: Learning, Challenges and Way Forward' organised by the CII in Mumbai on Saturday.

“The proposed valuation rules are being drawn up by an expert panel with members from the CBDT, SEBI, RBI, MCA and professional regulators like ICAI, ICSI and ICWAI.

“Till the rules are ready, valuers are advised to follow global best practices,” M. S. Sahoo, Chairperson, Insolvency and Bankruptcy Board of India (IBBI), told *The Hindu* on the sidelines of the event.

The IBBI, so far, has eight registered valuer organisations and 25 registered valuers working with the board.

According to Mr. Srinivas, a further Rs.9.5 lakh crore of stressed assets are likely to enter the IBC framework. However, ‘Project Sashakt’ and other interventions could reduce the flow of cases to the IBC, which is already coping with cases worth Rs.4 lakh crore.

‘Maximising asset value’

When Kotak Mahindra Bank chairman Uday Kotak raised the issue of entry of a bidder after closure of the bid deadline, Mr. Srinivas said, “I think it’s a very valid observation. If you look at the preamble of the code, it does talk of maximising the value of the asset. And sometimes, that has prevailed when you are trying to look at higher bids after the closure.

“But the government is of a clear view that the sanctity of the framework has to be respected.

“If we deviate from the sanctity of the framework, then the long-term outcomes will be very undesirable. And that is precisely, in the second amendment, it has been clearly stated that late bids will not be permitted.

“So, after this amendment, there is now abundant clarity and I think this Section 12 (A) has also been upheld by the apex court in one of the cases.”

According to a study by National Institute of Public Finance and Policy (NIPFP), about 8,300 non-food companies account for 20% of the bank credit. Of them, 3,300 companies are stressed whose interest coverage ratio is less than 1.5. Based on this, it is expected that about Rs.9.5 lakh

crore may come under stress and into the IBC and NCLT framework for resolution.

Tackling shell firms

When asked about government's crackdown on shell companies, Mr. Srinivas said, "The government has identified over two lakh shell companies, of which 50,000 have already been deregistered. It's a process and takes time. More companies will be deregistered this year."

Mr. Srinivas also confirmed that the government was working on IBC amendments to resolve cross-border insolvency cases.

Is America afraid of socialists?

[Varghese K. George](#)

AUGUST 18, 2018

THE  HINDU

Reconciling the U.S.'s current economic model with its democracy is a challenging task for Americans but to come up with a name to call what they want appears to be even more challenging. The crisis is more evident for the Democrats, as opposed to Republicans who generally think the only problem with the economy is that there is too much government regulation and support for the poor, making them lazy. As the November mid-term elections, which will also set the tone for the 2020 presidential election, approach, this dilemma of the Democrats is playing out.

A Gallup poll recently threw up more evidence of this crisis for the Democrats. Only 47% of Democrats view capitalism positively, down from 56% in 2016; 57% of Democrats now view socialism positively, which is little change from 2010. Among Republicans, 71% are very positive about capitalism while only 16% are positive about socialism. The Democratic base has been showing an affinity towards 'socialism' since the economic collapse of 2008, Gallup found.

Massachusetts Senator Elizabeth Warren, who is widely speculated to be a Democratic challenger to President Donald Trump in 2020, has been trying to place herself as the bearer of the progressive mantle in America.

This week, she introduced a new Bill to address the widening income inequality and hold corporations accountable, titled Accountable Capitalism Act. And she chose to explain the Bill in an op-ed in the *Wall Street Journal*. “The... Act restores the idea that giant American corporations should look out for American interests. Corporations with more than \$1 billion in annual revenue would be required to get a federal corporate charter. The new charter requires corporate directors to consider the interests of all major corporate stakeholders — not only shareholders — in company decisions. Shareholders could sue if they believed directors weren’t fulfilling those obligations...,” she wrote.

New rules

The proposals are already facing a blowback. Harvard economist Jeffrey Miron told CNBC that the Bill will destroy capitalism and encourage crony capitalism. Ms. Warren’s proposal “will create a whole set of new rules that the federal government will enforce. Those rules will not be clean, explicit or simple,” Mr. Miron said.

While progressives like Ms. Warren are tiptoeing around the word ‘capitalism’, the party’s younger, more diverse base is happily embracing the word ‘socialism’. Meanwhile, Alexandria Ocasio-Cortez, a 28-year-old Latina running her first campaign, defeated party veteran Joe Crowley in New York's 14th congressional district primary recently and has already become a national figure. She calls herself a ‘democratic socialist’.

In 2016, his opponents both in the Democratic and Republican parties, sought to turn the ‘socialist’ label as a disqualification for Bernie Sanders, but it did not play out that way. “Don’t be afraid of socialists,” he said in a speech then. “Roosevelt implemented a series of programmes that put millions of people back to work, took them out of poverty and restored their faith in government... And, by the way, almost everything he proposed was called ‘socialist’. Social Security... was ‘socialist’. The concept of the ‘minimum wage’... socialist. Unemployment insurance, abolishing child labour, the 40-hour work week... socialist.” Early this

year, reflecting on her 2016 defeat, Hillary Clinton said that being identified as a capitalist lost her the presidency.

Blow to ED in Mallya probe, attached assets released

ECONOMIC TIMES, By Neeraj Chauhan, Aug 19, 2018,

In a major setback to Enforcement Directorate, a PMLA appellate tribunal has set aside the attachments of flats owned by Biocon CMD Kiran Mazumdar-Shaw and NRI Vivek Mathias in Kingfisher Towers in Bengaluru, which were attached by the agency relating to its probe against fugitive liquor baron Vijay Mallya.

The tribunal has also pulled up ED for not complying with its mandatory statutory duties under the Prevention of Money Laundering Act and not giving an opportunity to Shaw and Mathias to explain their side. It also slammed the ED saying it could not establish any collusion/connection of Shaw and Mathias with Vijay Mallya, Kingfisher Airlines or United Breweries and that there is no evidence on record to show money laundering in the purchase of flats.

Shaw heads one of the premier biopharmaceutical companies, while Mathias, who lives in Monaco, is engaged in the business of banking and hedge funds.

Shaw had purchased a flat in Vijay Mallya's housing project, Kingfisher Towers, in 2012, for which she paid Rs 26.12 crore, all from her personal account and through proper banking channels. Similarly, Mathias purchased two flats worth Rs 49.84 crore in the tower the same year for which he made payments through legal channels. After the crackdown on Vijay Mallya by agencies, ED attached several movable and immovable properties worth Rs 8,000 crore, including several flats worth over Rs 500 crore in the Kingfisher Towers.

Setting aside the attachments, chairperson of PMLA appellate tribunal Delhi, Justice Manmohan Singh, said in his order, "There is no material on

record to show that the appellant (Shaw) has any link, nexus or association or relation with United Breweries and Prestige Estate Project Pvt Ltd (which were jointly developing the project)."

The tribunal added that, "It is also not the case of ED that the consideration paid by her is a tainted amount or it belonged to Vijay Mallya, as admittedly all the amount was paid through banking channel".

Advocate Arshdeep Singh, who appeared for Shaw and Mathias told TOI , "This is a landmark decision for bona fide purchasers who get stuck in ED attachments.

The Tribunal has recognised the rights of such purchasers who have paid clean money prior to even commission of offences. This will also help in deprecating the practice of ED in attaching properties which are not involved in money laundering".

The tribunal said that ED failed to provide the provisional attachment orders to Shaw and Mathias for "reasons best known to it".

It said that since ED was in possession of all the documents regarding purchase of flats, the said flats could not have been attached as "proceeds of crime".

Lateral shift: Can it cut both ways?

RICHA MISHRA businessline

The recruitment drive is being monitored by South Block.

The government has opened its doors to outsiders. Will it allow its senior bureaucrats to do short-term stints in the private sector too?

Some call it the corporatisation of the Indian bureaucracy. Others term it a much-needed reform. Whatever the views, the government's radical move to induct lateral recruits in senior positions at the Centre has seen a rush of applications. The hiring portal got two lakh hits within two weeks of opening, and almost 2,500 registrations for the 10 positions on offer. "Not bad at all by any standards," says an officer associated with the

recruitment drive. Clearly, everyone loves the authority and perks that bureaucrats enjoy, says another officer.

The rationale behind inviting “talented and motivated” Indians to join the government at the joint secretary level was to bring in fresh ideas and new approaches to governance and also to augment manpower.

The advertisement invited candidates with specific expertise in Revenue, Financial Services, Economic Affairs, Agriculture, Road Transport & Highways, Shipping, Environment & Forests, New & Renewable Energy, Civil Aviation and Commerce.

Hidden messages

Does the move mean that there is a lack of talent in the Indian Administrative Service (IAS)? Or is there a genuine shortfall in strength of IAS officers? The Minister of State in the Ministry of Personnel, Public Grievances and Pensions and PMO, Jitendra Singh, recently informed Parliament that there was 22.11 per cent shortage of IAS officers as on January 1, 2018, vis-a-vis the total authorised strength of 6,553.

According to Singh, the government has increased the annual intake of IAS officers in the direct recruitment quota to meet the shortage. Lateral entries could beef up strength in the senior echelons.

Many think this move also undermines the role of the Union Public Service Commission (UPSC), which has the mandate to recruit through competitive examinations. Critics also wonder whether this could be the political executive’s way of instilling insecurity within the bureaucracy. Or is it the government’s way of getting ideologically aligned individuals into positions of power to ensure seamless implementation of its decisions?

Retired IAS officer Chandra Pal, who has held the post of Secretary, Micro, Small & Medium Enterprises, is one of those who believes it is an arbitrary exercise of power intended to promote people following a particular ideology. Pal has moved the Supreme Court challenging the government’s notification to invite lateral entry. He says, “What are the changes an outsider can bring in during his three-year contract period? It is mala fide and intentional to bypass the UPSC. It will also promote

partiality instead of objectivity.” Besides, it will also bypass SC/ST and OBCs in services, says Chandra Pal, adding, “If you want to change the socio-economic scenario of the country, then all you need to do is to implement the Constitution properly. And if you still want to recruit, then ask the UPSC to do it.”

Countering the motives being imputed, Ashwani Mahajan, National Co-Convener of Swadeshi Jagaran Manch, says, “It is wrong to imply this is being done to get like-minded people. If that was the case there were many positions in the government that were vacant and anyone following a similar ideology could have been appointed.”

Are three years enough?

Interestingly, the posts are open to candidates from States, government bodies and PSUs who, the ad says, will be appointed on deputation. Candidates from private sector international/multinational organisations, on the other hand, will be appointed on contract basis. Shortlisted candidates will be called for a meeting with the Selection Committee. The period of contract is for three years, extendable up to five.

Talent expert Hemant Sharma, former HR head of Sun Microsystems, thinks that though it is a great idea, how well it succeeds will depend on the approach taken by the existing bureaucrats to integrate and leverage these inductees. “It will also require the incumbents to understand the system,” he said. Sharma adds that operational roles in direct execution will require a longer gestation period than the three-year contracts.

Former 1982 batch IAS officer Sanjeev Sabhlok, a government economist based in Melbourne, Australia, and senior leader of Swarna Bharat Party, believes that bringing in fresh blood at a senior level, particularly those competent in modern policy design, will definitely have an impact. The current system creates complacency; whether they perform or not, IAS officers have the assurance of job protection, he says.

Sunjoy Joshi, a 1983 batch IAS officer, who quit service, and is currently Chairman, Observer Research Foundation, says one must examine whether the process of selection is right or not and whether one is getting

the right people or not. "UPSC's selection process has withstood the test of time but if you are not using it then you have to create a faceless neutral system that is completely apolitical," he says.

Besides, it should not be a one-way ticket – it should be a revolving door policy. If you are allowing private-sector entry into government, then an officer should also be allowed to work in private sector for two-three years and then come back, he argues.

Joshi says the lateral movement should be across the value chain. "Tax department, Railways, PSUs, airlines, all should be part of it."

The chosen candidates will be deemed to be public servants for the purpose of the Central Civil Services (Conduct) Rules and will have to abide by them. The employment contract can be terminated by either side with a minimum notice period of three months. It will be interesting to see if all ten appointees last the full distance.

EVERDAY IS AIBEA DAY		AIBEA THIS DAY – 20 AUGUST
1922	Com. Natwar Lal Shah, former Vice President of AIBEA (date of birth)	
1962	Desai Award on Bonus published.	
1968	Nationwide Strike on our demand for deletion of 36 AD and 54 AA Social Control Bill.	
2001	Anti scam day observed by UFBU	
2002	Weeklong Campaign on health of Banking industry lunched	
2003	Strike in Bank of Maharashtra Capital Dilutions	
2007	Com. V S Ekambaram former General Secretary State Bank employees Union(AIBEA) veteran leader passes away	
2008	All India Strike Against, Merger, Privatization & unrestricted FDI in Banks	

ALL INDIA BANK EMPLOYEES' ASSOCIATION



Central Office: PRABHAT NIVAS
Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001
 Phone: 2535 1522 Fax: 2535 8853, 4500 2191
 e mail ~ chv.aibea@gmail.com
 Web: www.aibea.in