AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

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AIBEA contacts family of Jyothi Kumari who cycled 1200 kms with her father. Decides to bear the total education of the 5 children in that family.

Hyderabad, May 24 (UNI)

All India Bank Employees Association (AIBEA) have contacted family of a 15-year-old Jyothi Kumari who brought her father, a migrant worker, on a bicycle from Gurgaon to Sirhulli village in Darbhanga in Bihar by riding 1200 kms due to Coronavirus lockdown and offered to bear the entire education expenses of the five children in their family.

AIBEA General Secretary C H Venkatachalam said this on Sunday taking to micro-blogging site twitter.

Mr Venkatachalam said as per media reports, the migrant worker Mohan Paswan migrated to Gurgaon and was working as a driver. Recently he met with an accident and hence could not continue his work as a driver.

To help him, his 16-year-old daughter Jyothi Kumari went to Gurgaon in March to be of help to him. Unfortunately, due to lockdown, they were in trouble. Mohan's landlord pressurised to vacate. Mohan had to discontinue his medicines so that both father and daughter could eat atleast once a day.

Mohan's wife, an Anganwadi worker in the village, sent Rs. 15,000 by pledging some jewels. His daughter Jyothi Kumari purchased a cycle with that money and decided to carry his physically handicapped father by cycle.

He said their village is 1200 km away. Mohan tried to dissuade Jyothi Kumari but their suffering made her to stick to her way.

Hence, she started her journey from Gurgaon by bicycle with her father on the pillion. On the way she got food from some donors in some places. Some days, they did not take any food as it was not available. Somehow, after 8-10 days, Jyothi Kumari could reach her village along with his father.

Their family is a very poor and Jyothi Kumari has 2 younger brothers and 2 younger sisters. We can imagine their economic condition, the AIBEA General Secretary said, adding as discussed amongst Office bearers of AIBEA, it has been decided that AIBEA can undertake the cost of education of all these 5 children till they are fully educated or can extend any other financial help that the family would like.

He asked Mr Anirudh Kumar, General Secretary, Bihar Provincial Bank Employees Association in a letter to contact them and get back so that it can finalise accordingly.

Ivanka trump lauds feat of Jyothi Kumari

US President Donald Trump's daughter Ivanka Trump has lauded the feat of 15-year-old girl Jyothi Kumari who cycled down 1200 kms carrying her father, a migrant worker, from Gurgaon to Sirhulli village in Darbhanga in Bihar.

Taking to micro-blogging site twitter, Ms Ivanka said ''15 yr old Jyoti Kumari, carried her wounded father to their home village on the back of her bicycle covering +1,200 km over 7 days.

This beautiful feat of endurance & love has captured the imagination of the Indian people and the cycling federation''.

AIBEA contacts the family of Jyothi Kumari:

Through our leaders in Patna and Darbhanga, we have talked to the parents of Jyothi Kumari and conveyed our decision to sponsor the entire educational expenses of their children. They informed us that so many such offers are coming to them and hence they will decide and inform us. They thanked AIBEA for our willingness to help them.

‘Bicycle girl’ Jyoti turns down offer from Cycling Federation, to focus on studies

SPECIAL CORRESPONDENT PATNA , MAY 23, 2020 THE HINDU

Bihar teenager rode home from Delhi with her injured father on the pillion

India’s ‘bicycle girl’ Jyoti Kumari, who was forced to pedal some 1,300 km to Dharbhanga in Bihar from Gurugram in Delhi with her injured father Mohan Paswan as pillion rider due to the extended lockdown, is just a very tired teenager right now.

Not particularly enthused by the worldwide admiration that has come her way as news of her remarkable journey has gone viral, the 15-year-old has turned down an offer from the Cycling Federation of India (CFI) to go for trials as a trainee at the

National Cycling Academy in New Delhi, saying she wants to focus on education.

Chairman of Cycling Federation of India (CFI) Omkar Singh, said, "We're impressed as well as amazed at Jyoti's pedalling capacity as she covered a distance of 1,300 kms within a week on a bicycle with her father. The CFI has decided to give her a chance to prove her mettle."

Omkar added, "We just want to call her for trials for her selection as a trainee… she will be tested on computerised bikes."

But for Jyoti, studies are her top priority.

"Earlier, I could not continue my school education because of my family problem and I was occupied with the domestic work…but now I wish to complete my matriculation first," she told ***The Hindu*** over phone from Sirhulli***.***

"I also feel physically weak now after such a long arduous journey."

Jyoti had gone to Gurugram with her mother and brother-in-law at the end of January after her father broke his leg in an accident while driving his e-rickshaw. "Her mother and brother-in-law returned to the village but she remained to look after me," Paswan recalled.

Following the extended lockdown, however, the father and daughter were left with little option when their landlord asked them to vacate their room.

"Jyoti suggested we too should leave for our village, like others…but we had no money… she bought a second hand bicycle from a neighbour and asked me to sit on it and we set off on our journey on May 10," he said.

Though, they did manage to hitch rides on trucks and tractors for stretches across Uttar Pradesh, Jyoti cycled for long hours on the seven-day journey to reach home on May 16.

Covid-19: Modi's performance and the tragedy of India's poor

May 23, 2020 | Pranab Bardhan

THE FINANCIAL EXPRESS

PM's hammy bravery against the virus and other elusive enemies may continue to work for him politically, even as it leaves tens of millions of Indians worse off

Indian prime minister Narendra Modi's penchant for theatrics has had deadly consequences for India's poor

Indian prime minister Narendra Modi's penchant for theatrics has had deadly consequences for India's poor. That was certainly the case with his disastrous demonetisation policy in 2016 and his government's rushed implementation of a national Goods and Services Tax, which resulted in widespread harassment of small businesses. But, these flubs were merely the opening act. By imposing one of the world's harshest Covid-19 lockdowns before preparing adequately or consulting with lower levels of government, Modi has inflicted unprecedented damage on India's economy and on the poor, who live hand-to-mouth at the best of times.

According to some estimates, more than 120 million people lost their jobs and incomes immediately after the lockdown was ordered on March 24. And, about half of the country's population of 1.38 billion is likely to have been impoverished, with many approaching starvation levels.

Shortly after the lockdown started, India's finance minister, Nirmala Sitharaman, announced a relief package amounting to under 0.5% of GDP. The programme consists primarily of extra food rations, and merely frontloads pre-existing small income grants for farmers, while offering a pittance in cash assistance for women with bank accounts tied to the government's financial inclusion programme, known as Pradhan Mantri Jan Dhan Yojana. And, survey data suggest that only about half of India's poor women have Jan Dhan bank accounts.

Then, after seven excruciating weeks, Modi announced with great fanfare on May 12 that his government would adopt a rescue package worth 10% of GDP. But, while this sounds much better than what came before, a closer examination reveals that the amount of immediate relief for the poor remains minimal. That "10% of GDP" includes all the liquidity enhancements announced over the previous three months by the Reserve Bank of India. Worse, most of these funds remain unused, because commercial banks have been unwilling to lend them on to private-sector firms.

The banking sector's stance is understandable. It has been obvious for years that India's economy suffers from deficient demand, which is why it was in a prolonged slowdown before the pandemic arrived. Now that the lockdown is inflicting deep economic losses, an increase in bank lending would most likely do little more than add to the stock of bad loans.

To be sure, the latest rescue package includes a credit guarantee (not actual loans) for 4.5 million microenterprises and small and medium-size businesses (out of a total of 63.4 million across the country). It also includes working-capital assistance for farmers (though many do not have the Kisan credit cards required to receive it) and street vendors (though only for about half the ten million in urban India), and a budget increase for rural public works. But, again, while these measures could help to restart disrupted production and supply chains, they will not solve the staggering demand problem (except possibly from the rural works programme).

After weeks of callous disregard for the plight of tens of millions of migrant workers, the government has now announced two months of grain rations. These workers have been hungry and homeless since suddenly losing their jobs, and, with public transportation locked down, many had no choice, but to walk hundreds of miles with luggage and children to their villages. Hundreds died on the way.

In general, the government's response has largely excluded hundreds of millions of daily wage labourers and urban workers. A substantial increase in cash assistance to all these people—with or without bank accounts—would have gone a long way toward boosting aggregate demand. Likewise, the government could have done more to discourage major non-farm employers from shedding their workforce, such as by offering a significant wage subsidy for workers on their payrolls (as many other countries, both rich and poor, have done).

The Modi government has also ignored the pressing need for a large-scale transfer of central funds to near-bankrupt state governments that have been covering most of the spending on health care, agriculture, and social protections, and have little capacity to borrow at low cost. Instead, the government's decision-making remains over-centralised, with little participation by local governments and communities, resulting in confusing and conflicting administrative rules.

In a country with a chronically underfunded health system, the immediate priority should have been to invest in a massive public-health programme, particularly at the primary-care level. A government focusing on what really matters would have launched a decentralised programme for testing, contact tracing, and quarantines, while providing special protections for vulnerable populations, such as those over the age of 65 (a mere 6% of the population). This would have allowed for a cautious early relaxation of the lockdown for the rest of the population, who could return to earning a living.

Weighed against the scale of the looming disaster, the government's fiscal response has been pitiably small, still amounting to a mere 1% of GDP or so. Modi and his advisers are probably worried about the government's perceived fiscal rectitude in the eyes of the credit-rating agencies (what some call "Modi's fear of Moody's"). But, not even a high credit rating will stop—let alone reverse—the capital flight currently gripping India; a fiscal chastity belt at a time of economic collapse and widespread destitution is unlikely to help.

Of course, in the medium term, the bill for a larger rescue programme must be paid. This would be painful—but not impossible—with the help of public borrowing, a drastic reduction in subsidies currently benefiting the better off, and a significant increase in taxation. Given that India, a country of extreme wealth inequality, taxes neither wealth nor inheritance, and under-taxes capital gains and real property, plenty of untapped revenue sources are available. A "corona levy" toward an overhaul of the country's public-health system would also be timely. Needless to say, vested interests will vehemently oppose any new taxes. But, there is no better time than a crisis to overcome such resistance.

The great political paradox of contemporary India is that despite all the hardships that Modi has visited upon the poor, he retains considerable popularity among them. A significant portion of the electorate seems to have bought into his fiery rhetoric of muscular Hindu nationalism. (And, he certainly hasn't been hurt by the opposition's fecklessness). Hardly anyone now remembers that in February and March—crucial weeks for pandemic preparation—Modi's party was busy spewing hatred against minorities and dissenters, even as the virus was raging in a neighbouring country.

It is hard to accept that Modi's popularity will remain untarnished by the problems arising from his clumsy mismanagement of the Covid-19 crisis. But, if the past is a reliable guide, his hammy bravery against the virus and other elusive enemies may continue to work for him politically, even as it leaves tens of millions of Indians worse off.

RBI remains silent on one-time loan recast and 180-day NPA recognition

FE Bureau | May 23, 2020

THE FINANCIAL EXPRESS

Friday's regulatory announcements turned out to be bittersweet for banks and industry as the Reserve Bank of India (RBI) granted an extension of the loan moratorium while ignoring requests for a one-time restructuring of stressed assets without the bad-loan tag

There was also no mention of a proposal by banks to increase the time period for recognising a non performing asset (NPA) to 180 days from the existing 90 days after the due date

Friday's regulatory announcements turned out to be bittersweet for banks and industry as the Reserve Bank of India (RBI) granted an extension of the loan moratorium while ignoring requests for a one-time restructuring of stressed assets without the bad-loan tag.

There was also no mention of a proposal by banks to increase the time period for recognising a non performing asset (NPA) to 180 days from the existing 90 days after the due date.

Both these regulatory relaxations were being seen as crucial tools to help deal with stressed building up in the banking system after the government announced a suspension of insolvency proceedings for a year. The regulator effectively dashed such hopes on Friday, leaving lenders to their own devices to resolve stress.

Bankers tried to put up a brave front after the RBI governor's statement. Asked about the lack of any mention of the one-time recast proposal, Rajnish Kumar, chairman, State Bank of India (SBI), said, "our tendency has become that whatever has been given, just take it and ignore it and then start talking about what has not been done." Incidentally, Kumar also chairs the Indian Banks' Association (IBA), which had formally asked for the one-time restructuring breather in the first place.

He added that the proposed recast scheme requires "deeper analysis" and it will become relevant for an enterprise which has incurred losses. "I would not be obsessed with one-time recast at this particular point of time when we still have time up to August 31," Kumar said, adding, "It will depend on how various sectors of the economy respond post lifting of lockdown in a phased manner. We will have to assess the need and if there is a need for one-time restructuring, we can still do it under the June 7 circular." Of course, this would mean recognising the restructured account as an NPA and providing for it appropriately.

Others were more forthright about what the regulator could have done differently. Padmaja Chunduru, MD & CEO, Indian Bank, said conversion of interest on working capital (WC) loans for the moratorium period into term loans eases repayment for borrowers, but the time given may turn out to be insufficient. "The time period for repayment of that component could have been longer than just seven months," she said.

Sanjay Chamria, VC & MD, Magma Fincorp, said, "The transmission of the interest rate reductions and the liquidity release into the system for NBFCs and particularly for small and medium NBFCs has not been successful. In my opinion, the RBI could have also provided a one-time restructuring of existing loan accounts to provide repayment options, based on the cash flows of the customers. This would have ensured minimum disruption in the liquidity situation of MSMEs and for a large number of individual customers too."

Industry bodies, too, stressed on the importance of this measure. "Another move the RBI should consider is to allow one-time restructuring of loans to relieve stressed businesses," said Chandrajit Banerjee, director general, CII, while lauding the other measures announced by the central bank.

'India's e-commerce growth propelled due to Covid might come at the cost of more online frauds'

May 18, 2020 | *Harsha Razdan & Mustafa Surka*

THE FINANCIAL EXPRESS

Fraud instances could possibly rise at an even quicker pace in the current scenario, as fraudsters could take advantage of the sudden disruptions and operational challenges caused in the e-commerce space by the Covid-19 outbreak

Employees and fraudsters could work in collusion due to low focus on compliance in a remote-working scenario

The Covid-19 pandemic has led the world into an unforeseen health and economic crisis, altering lifestyles, preferences and habits of consumers and also the way organisations will operate. Consumers now more than ever would prefer shopping in a manner that is convenient, safe and hygienic and the e-commerce space meets these requirements. As the e-commerce space continues to grow globally, it is also solidifying its foothold in the Indian marketplace. Today lockdown restrictions have driven technology-averse consumers towards using technology for delivery of food and online shopping of essential products. It is likely that this will result in more consumers transitioning to online shopping for essential and non-essential products in the long run due to convenience, ease of use, benefits of hygiene and change of habits. This in a way could further propel the growth in the e-commerce space.

The rapid growth of the e-commerce sector has also inadvertently led to a rise in frauds. The number of online shopping frauds registered with the National Consumer Helpline has jumped nearly six times from 977 cases in FY17 to 5,620 cases in FY20 till November 2019, taking the total count of cases since FY17 to 13,993.

Fraud instances could possibly also rise at an even quicker pace in the current scenario, as fraudsters could take advantage of the sudden disruptions and operational challenges caused in the e-commerce space by the Covid-19 outbreak. The various ways of committing fraud and wrongdoings that may emerge in this sector could be as below.

- **Sales and distribution fraud**: Employees and fraudsters could work in collusion due to low focus on compliance in a remote-working scenario. There could be a creation of fictitious customers to misuse sales promotion schemes/cashback offers, abuse of new user promotions, misuse of electronic gift vouchers among others due to increase in the count of consumers subscribing to e-commerce platforms during the lockdown.
- **Counterfeit, expired and damaged products:** Such products could be put into circulation on e-commerce platforms, to meet the increased demand and perceived shortage of essential products.
- **Kickbacks, bribes and conflict of interest scenarios**: Third parties and vendors appointed during the lockdown period with limited or no due diligence could lead to vendor favouritism as a result of collusion between employees and vendors.
- **Logistics and inventory management**: Pilferage of original products by delivery personnel and, pilferage of products from the warehouse or during transit due to shortage of manpower during the lockdown period.
- **Hiring of unsuitable/unethical employees**: Such hiring by e-commerce organisations to cope with augmented demand and manpower shortage or inaccessibility during the lockdown period as candidates may submit fictitious credentials to secure these jobs
- **Cyber fraud**: This could be on the rise due to the remote working, demand for essential products and augmented digital transactions, which could then lead to data breaches and loss of intellectual property for e-commerce organisations. These could be by way of phishing/vishing attacks, fake websites/mobile applications, fake customer care that preys upon customers and coerces them into providing credentials or remote system access, charity scams that solicit donations for non-existent charities falsely claiming to help individuals or areas affected by COVID-19 and lastly leakage or misuse of personal consumer information.

With the Covid-19 pandemic seeing a gradual rise on a day to day basis organised criminals are seeing more opportunities to defraud e-commerce organisations and consumers. It is recommended that organisations take the below reactive and preventive measures, as required, to shield themselves from frauds and wrongdoings.

- Root cause investigation of suspicions or complaints regarding wrongdoings
- Fraud risk assessment of key business processes
- Compliance reviews to check adherence to the applicable laws and regulations
- Due diligence checks for new/existing sellers and third parties
- Employee background checks to screen prospective employees
- Conducting fraud awareness sessions for employees, sellers and third parties.

In summary, organisations need to be vigilant, practical and proactive to build robust mechanisms to thwart malicious fraudsters that seek to exploit this crisis for their own benefit. Authorities, consumers and organisations will need to work together and take the required steps and precautions to curb this menace and prevent fraudsters from taking advantage of the current situation.

Return on credit higher than return on banks surplus funds deployed with RBI: Brickwork Ratings

Our Bureau Mumbai | May 23, 2020

THE HINDU BusinessLine

The one-year return on credit that banks can earn by lending to corporates is high at about 8 per cent vis-à-vis the return of 3.35 per cent they will earn by parking their excess funds with the Reserve Bank of India (RBI), according to an analysis of return on funds deployed by banks by Brickwork Ratings (BWR).

The additional profit that banks would have earned had they given loans instead of deploying their surplus funds with RBI is about Rs 34,000 crore, the credit rating agency said.

How?

Referring to banks deploying about Rs 7 lakh crore (as on May 21) at the RBI's reverse repo window, BWR assessed that this could have fetched them around Rs 23,450 crores as interest. However, if these funds were deployed as loans to corporates ('AA' to 'BBB' rating), the earning for banks would have been around Rs 57,445 crore in a year.

Return on credit higher

In the case of funds deployed by banks via lending to corporates, the assumptions are that the weighted average lending rate is 12 per cent; the weighted average default rate is 5 per cent; and the recovery rate is 33 per cent. Taking these three parameters into account, the interest earned works out to Rs 82,343 crore.

As per BWR's analysis, after taking into account the credit cost, based on defaults and recovery (Rs 24,898 crore), banks earn Rs 57,445 crore from deployed funds.

Rajat Bahl, Chief Ratings Officer, BWR, "For a meaningful transmission of RBI measures into higher bank credit, the reverse repo rate has to be brought down sharply and very close to the savings deposit rates offered by banks.

"This will dissuade banks from parking funds with the RBI, and they will start looking out for credit deployment while pricing the risk appropriately".

RBI rate cut

In an off-cycle rate cut announced on Friday, the RBI cut the policy repo rate (the interest at which banks borrow funds from the central bank to overcome short-term liquidity mismatches) from 4.40 per cent to 4 per cent. Simultaneously, the reverse repo rate (the interest rate banks earn on deploying surplus funds with RBI) came down from 3.75 per cent to 3.35 per cent.

Along with the repo rate cut, the RBI also announced additional measures, including giving relief on debt servicing for three more months and increasing a bank's exposure to a group of connected counterparties, to further ease financial stress caused by COVID-19 disruptions.

Vydianathan Ramaswamy, Director, BWR, observed that RBI has taken bold measures to counter the impact of COVID-19 and build enough liquidity and credit buffers for India Inc to kickstart business operations as the nationwide lockdown is being lifted in phases.

"However, despite concerted efforts by the RBI, banks' high-risk perception of the current economic environment continues to be a dampener in stepping up credit to India Inc.

"This is clearly evident from the significant jump in excess funds parked by banks with the RBI, which nearly doubled to about Rs.7.2 lakh crore as on 21 May 2020 from about Rs 3.8 lakh crore as on 31 March 2020 and from a relatively low level of about Rs 1.5 lakh crore as of 31 December 2019," Vydianathan said.

Lenders have recovered money in just 14% of cases resolved by NCLT: Report

Suresh P Iyengar Mumbai | May 22, 2020

THE HINDU BusinessLine

Liquidation ordered in 57% of cases, says Motilal Oswal report card on 3 years of IBC

Financial and operational creditors have managed to recover money in just 221 cases, or 14 per cent, of the 1,604 cases resolved by the National Company Law Tribunal (NCLT) till March-end.

In the three years ended March 31, there were about 2,170 cases pending before various Benches of the NCLT, taking the overall cases admitted for resolution to 3,774. The NCLT ordered liquidation in 914 cases (57 per cent) while 312 cases (19 per cent) went on appeal and about 157 litigations (10 per cent) were withdrawn, said Motilal Oswal Research's three-year report card on the Insolvency and Bankruptcy Code (IBC).

Interestingly, of the 914 cases where liquidation was ordered, the final report was submitted for just 69.

The recovery of loans under IBC drops to 25 per cent from 44 per cent, if one excludes the initial list of 12 large defaulters referred by the RBI, in 2017. Of the 12 large companies that defaulted, Electrosteel Steels, Bhushan Steel, Essar Steel, Alok Industries, Jyoti Structure and JP Infratech were resolved while Bhushan Power is awaiting the final verdict of the Supreme Court.

As of March-end, the average time taken for the resolution of cases stood at 410 days (including the days spent under litigation). This is longer than the prescribed 270-day timeframe. The average time taken for the 914 liquidation orders announced to date is 309 days.

Major beneficiaries

Among the public sector banks, State Bank of India, Bank of Baroda and Bank of India will be the key beneficiaries of default resolution, while ICICI Bank will gain the most among the private sector banks, said the Motilal Oswal report.

The pace of resolution will slow down further with the outbreak of the pandemic, it predicted.

The government has announced several amendments to IBC as part of the economic relief package for Covid-ravaged India Inc. It has increased the threshold for IBC cases to Rs.1 crore from Rs.10 lakh and suspended all new insolvency proceedings for one year. Lenders have been instructed to keep all Covid-related debt out of the definition of default.

Earlier, the resolution timeline was extended to 270 from 180 days to ease the additional provisioning requirement for banks.

Covid, economy: Opposition submits 11-point charter to Centre

Our Bureau New Delhi | May 22, 2020

BusinessLine

22 parties in the Opposition camp, which met here on Friday through video conferencing, submitted a 11-point demand charter to the Centre that includes direct benefits transfer to all non-Income Tax payees and more financial assistance to states.

The meeting, to exchange views on the extraordinary situation in the country arising out of the Covid-19 pandemic, assessed that the economy of the country has collapsed. "All sections of society face acute distress. Livelihoods have been destroyed. Lives have been lost," the parties said in a joint statement. While extending their full cooperation to the Union Government, they pointed out that the Centre has failed in discharging its responsibilities in a timely, effective and sensitive manner. "Grand announcements have been made but they do nothing meaningful to alleviate the sufferings of people and address the pressing concerns of farmers and farm labour, of migrant and other workers, of trade, & commerce, MSMEs and industry. In fact, the Union Government has unabashedly usurped powers vested in the States, undermining the constitutionally guaranteed federal democracy," the statement said.

Urging the Centre not to to indulge in showmanship nor one-upmanship, the parties said this is the time for a gigantic collective endeavour. It asked the Centre to reach out to all sections of people and engages in a dialogue with all political parties in a systematic manner, listen seriously to the suggestions that they have to make, activate Parliamentary institutions like Standing Committees and be genuine in helping the states financially and otherwise.

The demand charter of the parties include direct cash transfer of Rs 7,500/- per month to all families outside the Income Tax bracket for six months. "Rs. 10,000 to be paid immediately, with the balance being paid equally across the remaining five months," they said.

"Free distribution of 10 kg food grains to all needy individuals, each month for the next six months. Increase the number of MGNREGA work days to 200 and provide the necessary budgetary support. Free transportation for all migrant workers to their native places. Also make immediate and reliable arrangements to rescue all Indian students and other citizens stranded overseas," they demanded.

They asked the Centre to provide accurate and relevant information on Covid-19 infections and goalposts vis-à-vis testing, infrastructure and containing spread and reverse all unilateral policy decisions particularly the annulment of labour laws.

“Procure immediately the rabi harvest at MSP and provide assistance to reach the produce to the market. The Government must also provide seeds, fertilisers and other inputs to the farmers to help prepare for the kharif crop. Release substantial funds to the state governments who are in the frontline of combating the pandemic. Communicate in clear terms, the Central Government’s exit strategy from the lockdown, if any. Restore Parliamentary functioning and oversight with immediate effect. Present a clear and meaningful economic strategy focused on revival and poverty alleviation instead of propaganda. The Rs 20-lakh crore package and its contents mislead the people of India. We demand that government present a revised and comprehensive package that will be a true fiscal stimulus in order to stimulate demand in the economy. Consult State Governments while allowing international/ domestic flights," the charter added.

FM wants banks to slash lending rate after RBI's action

Manojit Saha
MUMBAI, MAY 22, 2020
THE HINDU

Discusses credit flow in meeting with PSB chiefs

Hours after the Reserve Bank of India (RBI) reduced interest rates, Finance Minister Nirmala Sitharaman conveyed to public sector banks in no certain terms that the government expected banks to reduce lending rates, which was required to kick start the economy.

The Finance Minister met the chief executives of PSBs over video-conferencing in a pre-scheduled meeting to review credit flow to productive sectors of the economy.

"The FM wants interest rate transmission. She wanted banks to cut rates as quickly as possible so customers are benefited," said the chief executive of a public sector bank who attended the meeting. "The Finance Ministry is aware that transmission of interest rates has not happened fully," the official told *The Hindu*. Bankers said lending rates are set to come down after Friday's RBI rate cut. Some of the large lenders, including SBI, convened a meeting of the asset-liability committee to take a view on the interest rates.

According to bankers, the FM tried to understand the ground situation as far as lending was concerned, and wanted to ensure that the loan guarantee scheme for MSMEs reached all entities needing it.

"Since March 1, banks have sanctioned Rs.6 lakh crore of loans. Our bank has sanctioned Rs.15,000 crore, of which Rs.12,000 crore has been disbursed. Over 1.36 lakh customers have been benefited," said A.K. Goel, MD and chief executive officer of UCO Bank.

RBI extends loan repayment moratorium by 3 months

Special Correspondent MUMBAI, MAY 22, 2020 THE HINDU

SBI says facility also for borrowers who did not opted earlier

The Reserve Bank of India (RBI) has extended the repayment moratorium of loan repayment for term loans by another three months, till August 31.

All other conditions for the facility also remains unchanged, that is, the loan will not be classified by the lender non-performing and there will not be any impact on credit individual credit score.

"In view of the extension of the lockdown and continuing disruptions on account of COVID-19, it has been decided to permit lending institutions to extend the moratorium on term loan instalments by another three months, i.e., from June 1, 2020 to August 31, 2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, may be shifted across the board by another three months," RBI said.

The banking regulator has also extended the interest payment deferment for working capital loans by another six months.

Rajnish Kumar, chairman, State Bank of India, said the borrowers who did not opted for the moratorium in March, will be allowed to avail it for the next three months. Mr. Kumar said only 20% of the SBI borrowers have availed the loan moratorium.

RBI cuts repo rate again, down to 4%

SPECIAL CORRESPONDENT MUMBAI, MAY 22, 2020 THE HINDU

Loan moratorium extended till Aug. 31

The Reserve Bank of India (RBI) further reduced the key interest rate or the repo rate by 40 bps on Friday, after a yet another out-of-turn Monetary Policy Committee (MPC) meeting as the COVID-19 pandemic induced lockdown continues, albeit with calibrated relaxations.

The central bank also extended the loan repayment moratorium for another three months till August 31.

The six-member MPC announcement has reduced the repo rate to 4% with five members of the panel voting for the steep cut while one member, Chetan Ghate, voted for a 25 bps cut.

The MPC also decided to continue with the accommodative stance 'as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy', while ensuring that inflation remains within the target, RBI said.

Demand collapse

RBI Governor Shaktikanta Das termed the risk to growth outlook "gravest".

"Domestic economic activity has been impacted severely by the two-month lockdown. The top six industrialised States that account for about 60% of industrial output are largely in red or orange zones," Mr. Das said.

"High frequency indicators point to a collapse in demand beginning in March 2020 across both urban and rural segments," he added.

The central bank refrained from giving a projection for GDP growth for the current financial year and stopped at saying that growth expected in the "negative territory" with some pick-up in growth impulses from the second half of 2020-21 onwards. "It is in the growth outlook that the MPC judged the risks to be gravest," Mr Das said.

Inflation target has also been held back by the central bank.

"The MPC is of the view that headline inflation may remain firm in the first half of 2020-21, but should ease in the second half, aided also by favourable base effects," Mr Das said.

"By Q3 and Q4 of FY20-21, it is expected to fall below target. Thus, the MPC's forward guidance on inflation is directional rather than in terms of levels. Going forward, as and when more data are available, it should be possible to estimate the path of inflation with greater certainty," he added.

Since February last year, the RBI has reduced the policy repo rate by a cumulative 250 bps, from 6.5% to 4%.

And there could be further scope for a rate cut if the inflation trajectory evolves as expected RBI said.

The central bank also extended the loan repayment moratorium for another three months, till August 31. All other conditions for the facility remain unchanged — a loan will not be classified by the lender as non-performing and there will not be any impact on individual credit scores. In addition, interest payment deferment for working capital loans has also been extended by another six months.

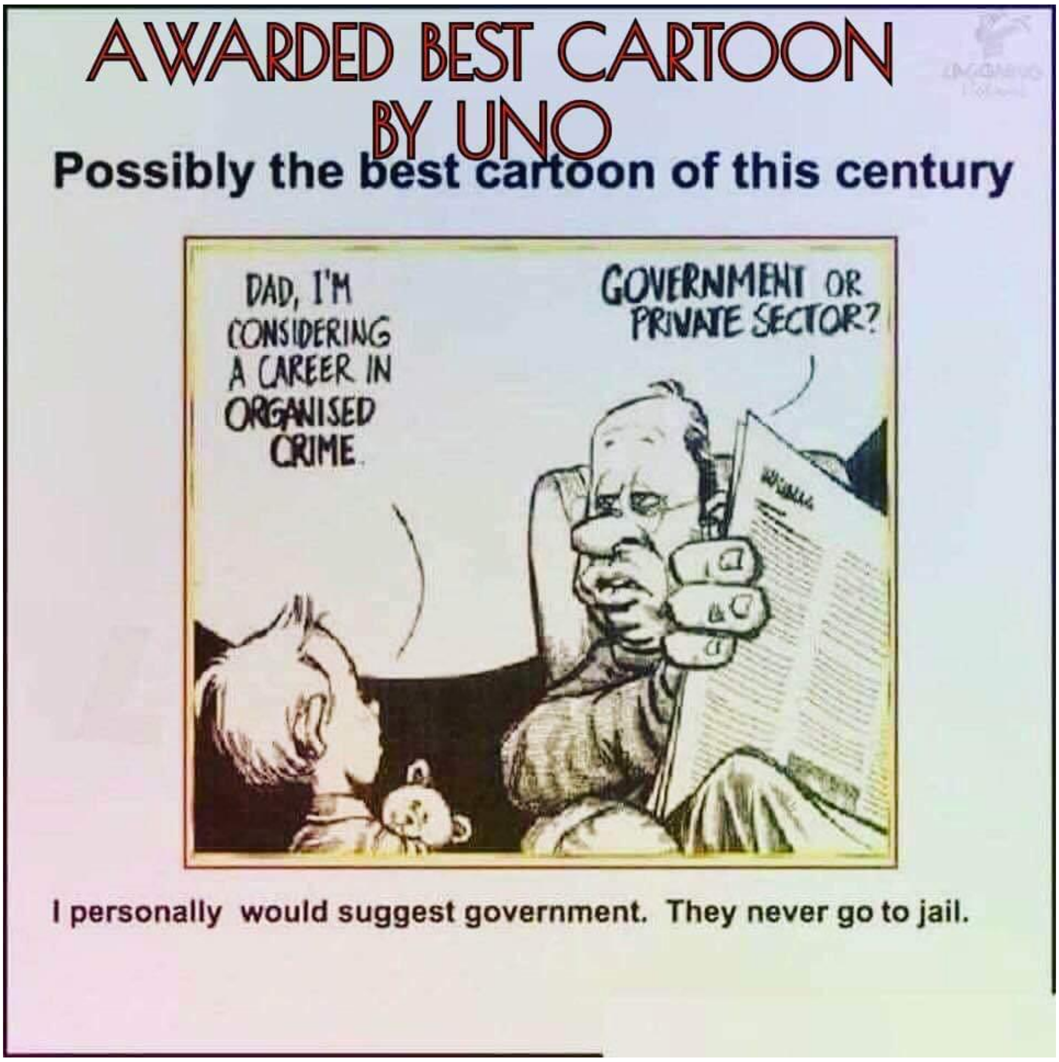
RBI has also decided to increase the group exposure limit of banks from 25% to 30% of its capital base. The regulator said the decision was taken to facilitate flow of resources to the companies as many of them were unable to raise funds from capital markets and are predominantly dependent on funding from banks.

A liquidity facility for Exim Bank of India was also opened as it has been decided to extend a Rs.15,000 crore line of credit for a period of 90 days to enable it to avail a U.S. dollar swap facility to meet its foreign exchange requirements.

Also to alleviate difficulties being faced by exporters in their production and realisation cycles, it has been decided to increase the maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks from the existing one year to 15 months, for disbursements made up to July 31, 2020.

"Uncertainty associated with pandemic, normalisation of economic activity and relaxation made in social distance makes it imperative that policy response is calibrated and swift," SBI chairman Rajnish Kumar said.

"In this context, extension of moratorium till August 31, enlargement of the Large Exposure Framework and option to convert accumulated interest for moratorium period into term loan are welcome measures. On the export side, increase in export credit period to 15 months from 1 year and buttressing EXIM Bank through Rs.15,000-cr line of credit is also timely," he added.



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