AIBEA's Banking News

11, 12 APRIL 2019

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Why India can't afford to ignore rising economic inequality? Here's what can be done | Oxfam EXCLUSIVE

Eram Tafsir | April 8, 2019

THE FINANCIAL EXPRESS

The government spending on health, education and social protection in the country is low and more often than not, subsidises the private sector

While India ranks among the fastest growing economies in the world, at the same time, a large section of its population is struggling to survive on margins. Rising economic inequality has become an important issue for overall development of the country with the focus being shifted to 'inclusive growth' in the past years.

Investment in public infrastructure (especially social infrastructure) and education, progressive taxation, better labour laws, taxation on wealth like inheritance are some of the measures that can help address the issue of rising inequality, Oxfam India CEO Amitabh Behar said to Financial Express Online.

High inequality in India

In India, the wealth of top nine billionaires equal the wealth of the bottom 50 percent. Further, 10 percent of the population holds over three-quarters of the total national wealth, according to a study released by Oxfam earlier in January this year.

Reducing the rising inequality is a challenge that requires sustained government interventions, which are weak till now as the country ranks 147 among 157 countries in terms of the government's commitment to reduce inequality, according to the Oxfam International's Commitment to Reducing Inequality (CRI) Index 2018.

More than 170 million people would be lifted from poverty if inequality in India is reduced by a third, according to the calculations by Oxfam.

Here's what's wrong

The government spending on health, education and social protection in the country is low and more often than not, subsidises the private sector.

India is a labour abundant country, however, over the years, successive government policies favoured capital over labour, noted the first India Inequality Report by Oxfam India. Moreover, while the share of profits have risen in the organised manufacturing, the share of wages have fallen.

Oxfam India's second India Inequality Report released in March 2019 further pointed out towards the increase in the employment of informal workers in the organised sector, worsening rural distress and growing wage inequality in the country.

The government needs to break the vicious circle of poverty which causes inequality, which in turn not only adversely affects sustainable economic growth but also breeds various socio-economic problems. For this, jobs creation and employment will be the key strategy, according to the report.

share capital of the Company, on fully diluted basis," the document stated.

Agricultural policy needs to shift to a pro-farmer focus

April 9, 2019
By T Nanda Kumar
THE FINANCIAL EXPRESS

While serious efforts were under way for increasing production and productivity, any adverse impact of the weather followed by a blip in production triggered immediate responses from the government on the above lines.

Agriculture needs a shift in focus — ten ways India can do it

Agricultural development in post-independence India started as a response to food shortages and the green revolution was designed to meet this challenge. Even after India became a net exporter of foodgrains, the mindset continued and food security remained central to agricultural planning. The expansion of the public distribution system, price controls, export bans and the pernicious use of the Essential Commodities Act dominated the scene. Most of these interventions had an unapologetic consumer bias driven mostly by political considerations.

While serious efforts were under way for increasing production and productivity, any adverse impact of the weather followed by a blip in production triggered immediate responses from the government on the above lines. Centrality of food security in policy planning took away the freedom and, as Ashok Gulati points out, a substantial portion of the income due to the farmer. While some freedoms were taken away by law, others were influenced by a complex regime of financial incentives.

Things have changed. Surpluses have become the recent worry. Sugar is a case in point. Farmers have also found a new voice, hitherto unheard of in the corridors of power. Their expectations from the government soared when PM Modi declared that the government will double their incomes by 2022. What we have so far is an elaborate report and a few schemes.

The time has come (actually, it is long overdue) to make farmers' income and prosperity the central theme of agricultural planning for the future. This is not to say that food and nutrition security should be lost sight of! From a food security, pro-consumer focus (often anti-farmer by default), the policy needs to shift to a pro-farmer (the farmers need the consumers any way) bias. This involves a paradigm shift in thinking and planning.

This would involve, inter alia, the following:

> Designing the agricultural policy to focus on the best returns a farmer can get from his land. Start with reforming the market. Remove almost all restrictions: EC Act, APMC Act, movement across states, most of the export

restrictions, etc. Make e-NAM and the village markets deliver for the farmers. If there is an occasional shortage, resort to 'calibrated' imports.

> Shift from a strategy of production-chasing demand and work on a decentralised model where farmers can produce to the market, not only in terms of aggregate demand, but also in terms of the various segments, time and geographies. This involves creating reliable information systems on market demands. The policy bias against commodity futures needs to go. Re-engineer them to be farmer-friendly. The current agriculture export policy is severely limiting. It still has an underlying domestic price control bias in it. We need to be consistent and predictable in our export strategy. The real spoilers in the game would be the Food Security Act and the government's political commitment to a 'market unfriendly' minimum support price regime.

> Change the main objective of ICAR to focus on 'best returns for farmers'. ICAR has done well to increase productivity and get India out of food insecurity. Continuing with the current structure with an unwieldy number of institutes (they seem to be adding new ones with every change of government) and a bevy of projects is not the ideal way forward. Agri-education and Krishi Vigyan Kendras eat up most of ICAR's budget, leaving little for futuristic research. R&D for a new India needs to be focussed on the future. This might involve a major restructuring of ICAR and creating space for private R&D.

> Weather and climate variability pose new challenges. These differ across regions and crops. Crop diversification will be dictated by climate change more than policy instruments. Efforts should focus on micro-climate-based strategies.

> The argument that farmers are vulnerable and need protection from private technology providers is past its expiry date. Today's farmers have access to information and they do understand what is good for them. Regulations on the usage of technology must be enabling and not restrictive.

> The subsidy regime needs to undergo major structural changes. Micro-climate-based planning demands that fertiliser subsidy should shift to a farmer-centric direct benefits transfer (DBT) and the choice of fertiliser be left

to the farmer. Investments for sustainable agriculture have to take precedence over natural resource depleting subsidies.

> The new strategy needs a different institutional architecture. Some institutions that have outlived their utility may have to be under 'creative destruction'. Some will need a structural change to become farmer- and market-friendly. Less of government institutions and more of farmer-led institutions will be the key.

> While our capabilities of forecasting weather- and climate-related events have improved significantly over time, the challenge is to get more reliable forecasts at the micro level on time. Private sector has developed capabilities for doing this on the ground and from the sky. What seems to hold them back is appropriate revenue models. This needs to be fixed.

> Data, some say, is the new wealth. The government generates a lot of statistics, mostly post an event. This is good for analysis but not good enough for decision making for farmers. A new thinking on collection, dissemination and usage of data needs to be developed.

> New technologies can have a disruptive influence in the agri-sector. While fintech and food-tech are the frontrunners, agri-tech may play a larger role in the future. Their potential needs to be understood and space created for their effective engagement with farmers.

Last, but not the least, the government needs to guarantee degrees of freedom to the farmer to ensure that ad-hoc actions of any government, be it state or Centre, do not infringe on their freedom.

India has scope for reducing untargeted food, fertiliser subsidies: IMF

PTI | April 11, 2019

THE FINANCIAL EXPRESS

"Certainly, when one looks at the case of India, there is a lot of scope for reducing untargeted food and fertilizer subsidies, and for enhancing revenue administration, including for the GST, which was

a transformational positive reform. But, again, even there, improved tax compliance would be a priority," Mauro said.

Responding to a question on announcements made by political parties during this election season, Mauro said in India's case, the priority continues to be gradual fiscal consolidation because the gross general government to Gross Domestic Product (GDP) ratio is at about 70 per cent

There is a lot of scope in India for reducing untargeted food and fertilizer subsidies and enhancing revenue administration, the IMF has said. "When one looks at some of the populist proposals announced by political parties during this election season, the important thing is to look at the benefits but also look at the costs and to look at the details," Paolo Mauro, Deputy Director, the International Monetary Fund's Fiscal Affairs Department, told reporters at a news conference here on Wednesday.

"Certainly, when one looks at the case of India, there is a lot of scope for reducing untargeted food and fertilizer subsidies, and for enhancing revenue administration, including for the GST, which was a transformational positive reform. But, again, even there, improved tax compliance would be a priority," Mauro said.

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"You also have a very rapid growth rate. The economy is growing in excess of 7 per cent, and the objective there is to make sure that that growth is inclusive and it filters down to poverty reduction," he said. "On the schemes, therefore, ultimately what matters is the combined distributional impact of the transfer policies and also of the taxes that would finance them. So, one has to look at the whole package together to assess the distributional impact," Mauro said.

India needs to bolster level of capitalisation of government-owned banks, says IMF

PTI | April 11, 2019

THE FINANCIAL EXPRESS

"The level of non-performing loans (NPLs) in India remains high. And the level of the capitalization of some banks, particularly government-owned banks, should be bolstered," said Ilyina

Anna Ilyina, Division Chief of IMF Monetary and Capital Markets Department, said Wednesday that bolstering the level of capitalisation was one of the recommendations of the Financial Sector Assessment Programme (FSAP) for India

Noting that the level of non-performing loans in India remains high, the International Monetary Fund has favoured bolstering the level of capitalisation of some banks, particularly government-owned banks. Anna Ilyina, Division Chief of IMF Monetary and Capital Markets Department, said Wednesday that bolstering the level of capitalisation was one of the recommendations of the Financial Sector Assessment Programme (FSAP) for India.

"The level of non-performing loans (NPLs) in India remains high. And the level of the capitalization of some banks, particularly government-owned banks, should be bolstered," said Ilyina. "There were some steps that were taken by the authorities to boost capital buffers in banks and also to improve governance in state-owned banks that have had some positive impact," Ilyina said.

The institutional mechanisms for resolution and the recognition of NPLs are, of course, an extremely important part of the process of cleaning up the banking system of non-performing loans, she said adding that the authorities should continue working along these lines. Tobias Adrian, Financial Counsellor and Director, Monetary and Capital Markets Department of the IMF, said that there continues to be a high stock of Non-performing Assets in India.

"There has been some progression, but we would welcome further progress on the non-performing assets in India," he said responding to a question on

Indian banking system. The Indian government in February said bad loans fell by Rs 31,168 crore in April-December 2018-19 compared to NPAs worth Rs 8,95,601 crore at March-end 2018.

US's objections to India's e-commerce policy continuation of their global assault on trade

The Financial Express | April 11, 2019

US's objections to India's e-commerce policy should be viewed as a continuation of their global assault on trade

India is right to introduce such legislation and should stand its ground

The United States has criticised India's restrictions on cross-border data flows and data localisation requirements. It has termed India's move as a barrier to digital trade in its 2019 National Trade Estimate Report on Foreign Trade Barriers. It said these requirements raise input costs for internet-based suppliers of services by forcing the construction of data centres and preventing local, indigenous firms from taking advantage of the best global practices available by impeding and restricting competition to these companies. The Indian government's draft e-commerce policy calls for regulating cross-border data flow, banning the sharing of data of Indian users stored abroad with other business and third-party entities, and mandating that all e-commerce companies have data storage in India.

This comes hot on the heels of last month's announcement that they will end preferential trade treatment for thousands of Indian products guaranteed under the Generalised System of Preferences (GSP), a programme that aims to promote trade with more than a hundred developing countries by giving duty-free entry for their goods. This is Trump's modus operandi—to economically arm-twist opponents until they give his country some concessions, as demonstrated by US's trade tussle with China, the outcome of which still lies in the balance. He has recently threatened to implement tariffs on goods worth $11 billion from the EU as well. With internet companies and social media platforms, both collectors and databases of massive troves of data on individuals, coming under increasingly intense scrutiny for the propagation of content on their platform and with privacy and ownership of data becoming a resultant matter of central concern, stringent policy proposals like India's e-commerce one are bound to come up. EU has the General Data Protection Regulation and Brazil, Japan and Australia are just three more countries that currently have a data protection and/or privacy law. India is right to introduce such legislation and should stand its ground, especially as the US's increasing hostilities with the rest of the world might open up grander trading opportunities as a result.

India's population growth rate outpaced China in last 9 years: UN report

11th April, 2019

THE NEW INDIAN EXPRESS

Early marriage continues to remain an obstacle to female empowerment and better reproductive rights, the UNFPA report observed

In 2019, the country's population stood at 1.36 billion, growing from 942.2 million in 1994 and 541.5 million in 1969

India's population grew at an average of 1.2 per cent annually between 2010 and 2019, more than double the annual growth rate of China, a report by the United Nations Population Fund revealed.

In the State of World Population 2019 report, the UN sexual and reproductive health agency said India's population in 2019, stood at 1.36 billion, growing from 942.2 million in 1994 and 541.5 million in 1969.

China's population, on the other hand, stood at 1.42 billion in 2019, growing from 1.23 billion in 1994 and 803.6 million in 1969. According to the UN report, the country's population grew at an average of 0.5 per cent annually between 2010 and 2019.

Twenty-seven per cent of India's population was in the age bracket of 0-14 years and 10-24 years, while 67 per cent of the country's population was in the 15-64 age bracket. Six per cent of the country's population was of the age 65 and above.

In India, the report said, the total fertility rate per woman declined from 5.6 in 1969 to 3.7 in 1994 and 2.3 in 2019. The country registered an improvement in life expectancy at birth. The life expectancy at birth in 1969 was 47 years, growing to 60 years in 1994 and 69 years in 2019.

The report also noted there was a drop in the Maternal Mortality Ratio (MMR) – 488 deaths per 100,000 live births in 1994 to 174 deaths per 100,000 live births in 2015.

Terming the figures as "worrisome", Director of UNFPA Geneva Monica Ferro said it is important to raise the level of consent and access to vital health services for millions of women around the world. "Don't forget: each one of these numbers is a person," she said.

The findings on women aged between 15-49 years were published for the first time as part of United Nations Population Fund's (UNFP) State of World Population 2019 report. The report includes, for the first time, data on women's ability to make decisions over three key areas: sexual intercourse with their partner, contraception use and health care.

According to the analysis, the absence of reproductive and sexual rights has major and negative repercussions on women's education, income and safety, leaving them "unable to shape their own futures".

Early marriage continues to remain an obstacle to female empowerment and better reproductive rights, the UNFPA report observed,

"A girl who marries when she is 10 will probably leave school. And because she leaves school, she won't get the negotiating skills, and she won't get the specific skills which will allow her to then get a better-paid job," Ferro said.

Those women and girls left behind "are typically poor, rural and less educated," Ferro said, adding that "two-thirds of all maternal deaths today occur in sub-Saharan Africa".

Vijay Mallya's plea against extradition rejected

The Hindu Net Desk
APRIL 08, 2019
THE HINDU

U.K. court rejects Vijay Mallya's plea against extradition

The U.K. High Court on Monday rejected fugitive businessman Vijay Mallya's plea to appeal against his extradition to India. In February, the U.K.'s Home Office said the government signed an order to extradite Mr. Mallya to face charges of fraud and money laundering following the judgment handed down by Westminster Magistrates Court Chief Magistrate Emma Arbuthnot in December 2018.

High stock of non-performing assets in India, more progress needed: IMF

Sriram Lakshman
WASHINGTON, APRIL 10, 2019
THE HINDU

'Level of capitalisation of government-owned banks should be bolstered'

There continues to be a high stock of non-performing assets (NPAs) in India, and there has been some progression. Further progress is welcome, IMF head of Monetary and Capital Markets Tobias Adrian said.

Mr. Adrian made these remarks at the release of the multilateral institution's April 2019 Global Financial Stability Report (GFSR) as part of the World Bank IMF Spring Meetings.

The GFSR provides an assessment of balance sheet vulnerabilities across financial and non-financial sectors in advanced and emerging market economies.

"The level of capitalisation of some banks, particularly government-owned banks should be bolstered. This is also one of the recommendations of the Financial Sector Assessment Program for India that took place fairly recently," Anna Ilyina, who heads Monetary and Capital Markets at the IMF, said. There were some steps taken by the authorities to boost capital buffers in banks and also governments in state-owned banks, that have had some positive impact, she said.

"In particular we've seen average price-to-book ratios for Indian banks improving somewhat and the institutional mechanisms for resolution and recognition of [non-performing loans] NPLs are, of course, extremely important… and I think authorities should continue working along these lines," Ms. Ilyina said.

Portfolio flows to emerging markets are influenced by benchmark-driven investors — 70% of country allocations of investment funds are impacted by benchmark indices, the report said.

This category of investors are more sensitive to global financial conditions and as they command increasing shares of portfolio flows, external shocks may propagate to medium-size, and frontier market economies faster than they did in the past.

China, a priority

China is likely to become more important for other emerging markets as it gets included in benchmark indices. Portfolio flows to China are expected to increase by $150 billion by 2020 due to its inclusion in a global bond index, according to the report.

"Financial vulnerabilities in China remain high, and the authorities face a difficult trade-off between supporting near-term growth, countering adverse external shock, and containing leverage through regulatory tightening," the report said.

Major banks begin to slashlending rates, EMIs set to drop

SPECIAL CORRESPONDENT

MUMBAI, APRIL 09, 2019

THE HINDU

State Bank of India, Indian Overseas Bank cut MCLR-linked lending rates by 5 bps

Equated monthly instalments (EMIs) are set to fall with banks announcing a cut in their lending rates. The country's largest lender, State Bank of India (SBI) led the way cutting the interest rate on its loans by 5 basis points (bps).

As a result, the one year marginal cost of funds based lending rate (MCLR) of SBI — to which most loans are linked — will now drop to 8.5%.

IOB said it would reduce its MCLR by 5 bps for loans of various tenures from April 10.

As a result, housing and vehicle loans would become cheaper, the bank said in a filing. The revised interest rates would be 8.65% for loans up to one year tenure, 8.75% for two-year and 8.85% three-year loans respectively. The moves come after the RBI decided to cut the repo rate by 25 bps to 6% last week.

Since February, the repo rate had been reduced by 50 bps though SBI had reduced its MCLR by only 5 bps during this period.

Private sector lender ICICI Bank had reduced its MCLR by 5 bps from April 1 and its one year MCLR is 8.75%. HDFC Bank had also cut its MCLR by 5-10 bps across various tenures which came into effect on Monday, with one year MCLR now standing at 8.7% compared with 8.75% earlier.

SBI's interest rate on home loans up to Rs.30 lakh would be reduced by 10 bps, the lender said. "Now, the applicable interest rate for such housing loans below Rs.30 lakh would range from 8.60% per annum (p.a) to 8.90% p.a.," SBI said.

Since SBI had also linked its savings bank (SB) interest rates to the repo rate, the SB rates would also be revised, for balances of more than Rs.1 lakh, to 3.25% from 3.5% from May 1. SBI had said 95% of the SB account holders had balances of up to Rs.1 lakh.

Cash credit, overdraft

Also, with all cash credit and overdraft accounts above Rs.1 lakh linked to the repo rate, the benefit of RBI's rate cut last week, 'will get passed on in its entirety to such CC/OD customers banking with SBI with effect from May 1, 2019,' the bank added.

India's population grew at 1.2% average annual rate between 2010 and 2019: UN

PTI United Nations | April 11, 2019

THE HINDU BusinessLine

India also recorded an improvement in life expectancy at birth. The life expectancy at birth in 1969 was 47 years and in 2019, it is 69 years

India's population grew at an average annual rate of 1.2 per cent between 2010 and 2019 to 1.36 billion, more than double the annual growth rate of China, according to a report by the United Nations Population Fund.

India's population in 2019 stood at 1.36 billion, growing from 942.2 million in 1994 and 541.5 million in 1969. The Indian population grew at average annual rate of 1.2 per cent between 2010 and 2019, the UN sexual and reproductive health agency said, in the State of World Population 2019 report.

In comparison, China's population stood at 1.42 billion in 2019, growing from 1.23 billion in 1994 and 803.6 million in 1969. China's population grew at an average annual rate of 0.5 per cent between 2010 and 2019, the report said.

Key findings

According to the report, in India, total fertility rate per woman was 5.6 in 1969, dropping to 3.7 in 1994 and 2.3 in 2019. India also recorded an improvement in life expectancy at birth. The life expectancy at birth in 1969 was 47 years, growing to 60 years in 1994 and 69 years in 2019.

Giving a snapshot of India's population composition in 2019, the report said 27 per cent of the country's population was in the age bracket of 0-14 years and 10-24 years each, while 67 per cent of the country's population was in the 15-64 age bracket. Six per cent of the country's population was of the age 65 and above.

Indicative of the improvement in the quality of India's health care system, the report noted that Maternal Mortality Ratio (MMR) in the country dropped from 488 deaths per 100,000 live births in 1994 to 174 deaths per 100,000 live births in 2015.

Focus on women

Director of UNFPA Geneva Monica Ferro said the figures were "worrisome" and it was essential to raise the level of consent and access to vital health services for millions of women around the world. "Don't forget: each one of these numbers is a person," she said.

The findings, relating to women aged between 15-49 years, were published for the first time as part of United Nations Population Fund's (UNFP) State of World Population 2019 report. The report includes, for the first time, data on women's ability to make decisions over three key areas: sexual intercourse with their partner, contraception use and health care.

According to the analysis, the absence of reproductive and sexual rights has a major and negative repercussions on women's education, income and safety, leaving them "unable to shape their own futures".

Early marriage continues to present a major cultural obstacle to female empowerment and better reproductive rights, the UNFPA report said. "A girl who marries when she is 10 will probably leave school. And because she leaves school, she won’t get the negotiating skills, and she won’t get the specific skills which will allow her to then get a better-paid job,” Ferro said.

Those women and girls left behind “are typically poor, rural and less educated,” Ferro said, adding that “two-thirds of all maternal deaths today occur in sub-Saharan Africa”.

Looking ahead to future challenges, the UN agency highlights the threat to women’s and girls’ reproductive rights posed by emergencies caused by conflict or climate disasters.

About 35 million women, girls and young people will need life-saving sexual and reproductive health services this year, as well as services to address gender-based violence, in humanitarian settings, it warns. “Every day, more than 500 women and girls including in countries with emergency settings, die during pregnancy and childbirth, due to the absence of skilled birth attendants or emergency obstetric procedures,” Ferro said.

Positive changes

Despite these concerns, the UNFPA report highlights that “untold millions” have enjoyed healthier and more productive lives in the 50 years since the agency was founded, thanks to pressure from civil society and governments to dramatically reduce unintended pregnancies and maternal deaths.

Highlighting positive changes in the last half-century, the report shows that in 1969, the average number of births per woman was 4.8, compared with 2.9 in 1994, and 2.5 today.

India has scope for reducing untargeted food, fertiliser subsidies: IMF

PTI Washington | April 11, 2019

BusinessLine

The priority continues to be gradual fiscal consolidation because the gross general government to Gross Domestic Product (GDP) ratio is at about 70 per cent, says Paolo Mauro

There is a lot of scope in India for reducing 'untargeted' food and fertilizer subsidies and enhancing revenue administration, the International Monetary Fund (IMF) has said.

"When one looks at some of the populist proposals announced by political parties during this election season, the important thing is to look at the benefits but also look at the costs and to look at the details," Paolo Mauro, Deputy Director, the IMF's Fiscal Affairs Department, told reporters at a news conference here on Wednesday.

"Certainly, when one looks at the case of India, there is a lot of scope for reducing untargeted food and fertilizer subsidies, and for enhancing revenue administration, including for the GST, which was a transformational positive reform. But, again, even there, improved tax compliance would be a priority, Mauro said.

Responding to a question on announcements made by political parties during this election season, Mauro said in India's case, the priority continues to be gradual fiscal consolidation because the gross general government to Gross Domestic Product (GDP) ratio is at about 70 per cent.

"You also have a very rapid growth rate. The economy is growing in excess of 7 per cent, and the objective there is to make sure that that growth is inclusive and it filters down to poverty reduction," he said.

"On the schemes, therefore, ultimately what matters is the combined distributional impact of the transfer policies and also of the taxes that would finance them. So, one has to look at the whole package together to assess the distributional impact," Mauro said.

RBI needs to fortify forex reserves further by $20 billion: HSBC

Our Bureau Mumbai | April 10, 2019

THE HINDU BusinessLine

This would be a halfway climb to the record $450 billion reserves the country held last year, says the report

An additional $20 billion of foreign exchange (FX) reserves, which will take India's overall holdings to $430 billion, would provide an extra, useful cushion in a world of increased financial volatility, according to a research report by HSBC.

This would be a halfway climb to the record $450 billion reserves India held in early 2018.

"The RBI's new FX swaps, of course, help in this regard. But, when possible, it may be a good idea to continue with outright dollar purchases alongside," suggested Pranjul Bhandari, Chief Economist, India; Aayushi Chaudhary, Economist; and Deep Nagpal, Associate, in their report.

The study found that India faces challenges on two metrics — short-term external debt cover (reserves/ short-term debt ratio) and short-term external debt plus current account deficit cover (reserves/ STD + CAD ratio).

"We scale up FX reserves until India fully meets those criteria as well. That number, as per our analysis, is $430 billion, about $20 billion more than current levels," said HSBC's economic research team.

Pointing out that India had reserves of $450 billion in early 2018, the report said the subsequent draw-down in reserves helped to anchor the country's external position during the time of heightened global financial volatility.

Increasing reserves halfway, from $410 billion now, to $430 billion may thus offer some benefits in the future.

FX swaps

Referring to the Reserve Bank of India's new scheme of buying dollars from banks for three years and offering them rupees in return (via USD/INR buy/sell auctions), HSBC said this move will inject liquidity into the banking system, while raising foreign exchange reserves.

"One can argue that they subtract an equal amount from the forward book, because they have a maturity of three years, and therefore, on net, do not lead to any increase in overall foreign exchange reserves.

"Yet, because three years is a sizeable time (enough to potentially ride out a full Fed tightening-cycle), this accretion to spot reserves is meaningful from an adequacy perspective, in our view," said the report.

HSBC's research team believes that the RBI would be served well to continue outright dollar purchases alongside foreign exchange swaps. That would hold it in good stead over the medium term.

FDI policy in pension sector: PFRDA to frame guidelines to bring clarity

KR Srivats New Delhi | April 10, 2019

Asks States to provide employees subscribing to NPS wider fund manager choice, higher equity exposure

Pension regulator PFRDA will soon frame guidelines to bring clarity on the FDI policy in the pension sector, its Chairman Hemant Contractor said

The new guidelines are being framed at the behest of the Central Government to provide foreign investors with all the clarity on investment norms at one place.

Currently, the foreign investment regime for pensions is largely linked to the one prevailing in the insurance sector, especially with regard to the FDI cap which is pegged at 49 per cent. Any pure-play foreign pension player has to look at the FDI policy on insurance before firming up investment decisions in the pension sector.

"The government has now asked us to frame guidelines. They (government) have said that both direct and indirect investment should be considered. There was a question mark on what would constitute foreign investment — direct only or both direct and indirect," Contractor told ***BusinessLine***.

One of the issues that requires clarity is how foreign investment at the level of sponsors of pension fund managers be counted to determine the FDI cap at the level of pension entities.

It is expected that the proposed guidelines — which when finally issued by the Department of Financial Services — will throw light on how foreign investment levels will be computed for downstream companies in the pension sector.

"The guidelines (on FDI policy) will cover who can come in, how indirect investment will be computed for sectoral caps. It will also look into the 'control aspect'," Contractor said.

Letter to States

Following the Centre's recent decision allowing its employees to opt for private pension fund managers to manage their NPS monies and also have higher equity investments, the PFRDA has written to the States to allow similar flexibility for the State Government employees' who are NPS subscribers.

"If States also agree to this and give their employees wider choice in selection of PFMs and permit equity investments up to 50 per cent, then there will be a big jump in the incremental flow of monies into the equity market," Contractor said.

Contractor, who will superannuate this month, pointed out that State Government employees account for twice the contributions of the Central Government employees for NPS.

As of end March 2019, the total subscriber base to various pension schemes overseen by the Pension Fund Regulatory and Development Authority (PFRDA) stood at 2.74 crore, a jump of 30 per cent during 2018-19. Total assets under management (AUM) for the sector stood at □3.19 lakh crore as at end March 2019. AUM grew by □84,000 crore during 2018-19, official data showed.

PFM minimum capital

Meanwhile, PFRDA is also contemplating an increase in minimum capital of pension fund managers to □50 crore, from □25 crore."We plan to change regulations for this (increase minimum capital requirement). We want the PFMs to provide more infrastructure," Contractor said.

Centre assigns new roles for top brass of erstwhile Vijaya Bank, Dena Bank

Our Bureau New Delhi | April 10, 2019

THE HINDU BusinessLine

The Appointments Committee of the Cabinet (ACC) has approved a slew of proposals of the Department of Financial Services (DFS), providing new postings for the top brass of erstwhile Vijaya Bank and Dena Bank.

While Karnam Sekar, MD & CEO of Dena Bank, has been appointed as the chief of Indian Overseas Bank (IOB), RA Sankara Narayanan, MD & CEO of Vijaya Bank, has been appointed as the MD & CEO of Canara Bank.

Rajesh Kumar Yaduvanshi, Executive Director of the erstwhile Dena Bank, has been appointed as the Executive Director at Punjab National Bank. Nageswara Rao Y, Executive Director, Vijaya Bank, has been appointed as the Officer on special duty and whole time director in Syndicate Bank.

Murali Ramaswami, Executive Director, Vijaya Bank has now been appointed as Executive Director in Bank of Baroda (amalgamated entity).

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

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