



## **India's economy in 'downward spiral.' What did Modi get wrong?**

RISHI IYNEGER 4 10 17 CNN MONEY

***India's economy, once hailed as a global bright spot, is down in the dumps.***

Growth in the South Asian nation fell during the first six months of 2017 from 7% to 5.7%, its slowest pace in three years, and analysts say the road to recovery is steep.

"We're on a downward spiral," said Mohan Guruswamy, head of the Center for Policy Alternatives in Delhi, and a former official at India's finance ministry.

Prime Minister Narendra Modi swept into power in 2014, promising to take India's economy to new heights. But many reforms have yet to materialize and some changes that have been enacted are hurting growth.

Modi defended his performance in a speech Wednesday, claiming his government had helped several industries.

"It is true that there has been a reduction in growth, but it is also true that the government is fully committed to reversing this trend," he said. "Our fundamentals are strong."

India is still reeling from two shocks within 12 months -- Modi's sudden ban last November of 86% of the country's cash, and a

sweeping overhaul of the tax system aimed at turning the country's 29 states into a single market.

The cash ban "was a massive blow, just when the economy looked at a point of inflection last year and the decline had started leveling off," Guruswamy said.

Modi's signature reform -- a national goods and services tax implemented in July -- has been widely hailed as a positive step because it should simplify business in the long run. But the implementation caused major disruption.

"My fear was that if people didn't understand how to do the tax system, then they would stop doing business with one another," said Shailesh Kumar, South Asia analyst at the Eurasia Group. "You did see some of that...as companies didn't really know what to do."

The government has said it expected a growth slowdown, but appears to have been blindsided by the sharp drop.

Top financial institutions are worried that the economy will struggle to regain its momentum in the near term. The central bank has just slashed its growth forecast for the current fiscal year to 6.7% from 7.3%.

"The implementation of the [tax reform] appears to have rendered short-term prospects uncertain," Reserve Bank of India Governor Urjit Patel told reporters.

The State Bank of India, which is owned by the government, was more blunt. The slowdown, it said in a report last month, is "not short term in nature or even transient."

### **Modi's not delivering**

Analysts, business leaders and even members of Modi's own party are now questioning his stewardship of the economy, not just because of the upheaval his changes have caused but also over reforms that aren't happening.

"High on the list of priorities is pushing through measures to ease land acquisition laws and liberalize the labor market," analysts at Capital Economics wrote in a recent note. "But there is no clear indication yet that Prime Minister Modi actually has the conviction to push ahead with necessary but unpopular reforms."

There have also been calls for an overhaul of the banking system. About 12% of total loans have gone bad, according to official data.

Yashwant Sinha, a former finance minister and senior member of Modi's party, wrote an opinion article slamming the "mess" that the Indian economy is in. "A hard landing appears inevitable," Sinha said.

### **Beef and beer bans**

Rising Hindu nationalism, stoked by Modi's right-wing party, is also hurting some parts of the economy.

In May, the government banned the sale of cows -- an animal considered sacred by the country's Hindu majority -- for slaughter, sending the meat industry into a frenzy.

While the ban was suspended by India's Supreme Court in July, the policy confusion has had a chilling effect. India exports vast quantities of buffalo meat. Those exports have declined this year, according to local media.

Cattle that once provided a vital source of additional income for millions of India's rural poor have now become liabilities because farmers fear they will be unable to sell them to the meat and leather industry, Guruswamy said.

Hindu nationalists have "completely unleashed a reign of terror as far as cattle are concerned," he added.

India's Supreme Court dealt the economy another blow in April, banning the sale of alcohol within 500 meters (546 yards) of national highways. Some estimates put the hospitality industry's potential losses at \$10 billion.

The court eased the restrictions in August, but many within the industry said they had already lost millions. Diageo (DEO), the company behind brands like Johnnie Walker and Smirnoff, said the India ban would dent sales growth.

Some of India's top trading partners are taking note.

"The space for civil society in India continues to shrink as Hindu nationalism rises," Sen. Bob Corker, chairman of the U.S. Senate Committee on Foreign Relations, said on Tuesday.

Corker, who was speaking during a hearing to nominate a new U.S. ambassador to India, also expressed disappointment at the state of the economy.

"In particular, I remain frustrated by the slow pace of Indian reforms in the economic sphere," he said.

### **Millions of new jobs needed**

Modi faces an uphill struggle to steady the ship. The most pressing challenge, experts say, is to create the jobs he promised India's large young population.

Around 12 million Indians enter the workforce every year, but struggle to find employment.

"Poor quality data makes it difficult to put a number on the job woes, but the available data is grim and news stories about jobs losses abound," Ruchir Sharma, chief global strategist at Morgan Stanley, wrote in the Times of India newspaper on Wednesday.

Over 1.5 million Indians lost their jobs in the first half of 2017, according to a study by the Centre for Monitoring Indian Economy, and unemployment is on the rise.

## If Wishes Were Houses

Home buyers who paid through the nose seem as distant from their dream homes as ever

LOLA NAYAR OUTLOOK – 16 10 2017



### UNPACIFIED

Angry home buyers protest against Jaypee in New Delhi  
PHOTOGRAPH BY GETTY IMAGES

Long stretches of towering but incomplete residential buildings dot the landscape along the highways that head out of the capital, whether on Noida Expressway or near Gurgaon towards Sohna or Manesar. Many of them, like Jaypee's Wish Town along Noida Expressway, seem to have hardly any workers on the site, while the pace of work in many others is much slower than one witnessed just five years ago.

"Out of around 35,000 flats being constructed in Wish Town, hardly around 5,000 have been delivered so far," says Sanjeev Sahani, 57, who has paid Rs 40 lakh of the total Rs 54 lakh price of a two-bedroom flat in Wish Town that he booked in 2007. "It's been 10 years since the project started and 90 per cent of the payments have been collected from buyers, but not even 20 per cent of the units are ready." Eight 32-storey buildings

had been proposed in Wish Town, but none has gone beyond 18th floor yet.

Sahani, who had expected to get possession of his dream home in 2010, is now part of several groups of aggrieved buyers seeking government and court help in the matter. "I am not sure whether I will get my flat in the next 10 years," says Sahani, disheartened by the insolvency proceedings initiated by IDBI Bank against the developer, Jaypee Infratech, for defaulting on loan repayment.

Acting on the plea of the aggrieved buyers, the Supreme Court has asked the company to first deposit Rs 2,000 crore and lay out a plan on how it intends to protect the interest of the buyers. The court's intervention has come as a blessing for home buyers as companies and banks rush to take advantage of the new insolvency law. Besides Jaypee, Amrapali is another big developer against which insolvency proceedings have been initiated. While companies are able to use the land assets to get out of the financial mess and banks are able to collect part of their dues, the poor buyers have started feeling more helpless.

**"Except some moral ignominy, there is no financial implication for the promoter," says C.H. Venkatachalam, general secretary of All India Bank Employees Association (AIBEA). "He is free to start another company. Being the preferred creditor, the bank, on the other hand, has the first legal rights to the assets of the bankrupt company. As banks become one of the creditors, chances of full recovery of dues are remote. This is evident with the RBI telling banks to be prepared for 'steep haircuts', which means be prepared for big losses. In effect, the banks will lose just like the people who are losing."**

Venkatachalam points out that home buyers are the most vulnerable as the only recourse left to them is to file cases against the developers. This is what a group of aggrieved Unitech buyers did. They approached the Economic Offences Wing of the government and the Supreme Court, which has assured the affected buyers that they would be given relief of their choice—either refund or possession of flat. Similarly, in the case of Supertech, another major real estate developer, the SC has directed that the company either provide the promised flat or refund money with 14

per cent interest. Supertech's case is different in that it ran foul of authorities for violating building norms, putting at risk the future of two 40-storey towers in its Emerald Court Project in Noida.

Over the past year, cases have been filed against many developers, besides prominent ones like Unitech, Amrapali and Supertech. Many home buyers' groups, including Noida Extension Flat Owners Welfare Association (NEFOWA), have approached the central authorities and the Uttar Pradesh government to intervene.

Various aggrieved consumer groups emphasise that barring projects of a few builders, those of the rest—both big and small builders—were all behind schedule by several years in the delivery of projects. In some cases, the work was not even half-done. Left with no choice, they warn, many buyers may start defaulting on EMIs. This is the scenario not just in the National Capital Region (NCR), but also in several cities across the country. Samir Jasuja, CEO of PropEquity, a real-estate data and analytics platform, says the maximum defaulters are in NCR. If there are 10 cases in this region, then the number in other places would be around two. Among the big defaulters are Amrapali, Unitech, Jaypee, Supertech and Parsvnath.

| <b>NCR Rogues' Gallery</b> |                 |                   |                       |
|----------------------------|-----------------|-------------------|-----------------------|
| <b>Developer</b>           | <b>Projects</b> | <b>Units sold</b> | <b>Average delay*</b> |
| <b>Jaypee</b>              | 38              | 40,000            | 3                     |
| <b>Supertech</b>           | 25              | 34,000            | 2.5                   |
| <b>Amrapali</b>            | 16              | 30,000            | 2                     |
| <b>Unitech</b>             | 25              | 12,000            | 4                     |
| <b>BPTP</b>                | 11              | 5,500             | 3.5                   |
| <b>Parsvnath</b>           | 3               | 950               | 5                     |
| * in years (approx)        |                 |                   |                       |

"Over 70 per cent projects are delayed in the Gurgaon and Noida region," says Jasuja. "And we don't know how many will finally get executed and how many may end in bankruptcy. We hope eventually all will be

executed, but there will be inordinate delays, of course. Many are already delayed by six to seven years.”

Even if they have money now and there are no disputes, it will take at least a year-and-a-half to complete the projects. In some cases, the wait may be another three to four years. Prospective home buyers reveal that even in case of projects under construction, they are not being assured of possession in less than three years, which leads buyers to question similar assurances given three to four years ago.

Rashesh Purohit, co-founder of the NCR Home Buyers’ Group, says the Real Estate (Regulation and Development) Act (RERA), which they had been pushing for, has failed to yield desired results so far because states like Uttar Pradesh have diluted its provisions. “One year after the notification of RERA rules, the tribunal is yet to be set up,” says Purohit, who was fortunate to get possession of his flat in 2016, after a five-year delay. “In April, the UP chief minister promised new RERA rules, but there has been no movement on that.”

Having faced harassment as a buyer, Purohit continues to lend support to the rights of buyers. He is happy that the Noida authorities initiated one-to-one meetings with different buyers’ groups. They have also posted the list of developers who have defaulted on their land and other dues, or are yet to receive all their clearances.

Shweta Bharati, general secretary of NEFOWA, is upset, however, that ongoing projects have been kept out of RERA’s purview by the UP government. “Our group had fought for bringing the legislation with provisions to protect home buyers, but it has been diluted at the state level in favour of builders, thereby keeping lakhs of buyers in NCR out of its purview,” says Bharati, who too is waiting for delivery of her “affordable” flat in Amrapali’s Centurion Park in Greater Noida (West).

Bharati points out that besides several years’ delay in getting possession of the flat, many home buyers are facing higher charges of Rs 7-8 lakh. The reason given for escalation in charges varies from higher farmers’ compensation for land to expenses on labour welfare and water connection, among others. So instead of the builders paying penalty for late delivery and other violations and shortcomings, home buyers are being burdened. The threat of booking cancellation is forcing many to pay



up, while some are seeking relief from consumer forums after taking possession of their flats.

## **Schemes like MUDRA are indictment of banking sector across India: J&K Fin Min Haseeb Drabu**

***Dr Jitendra Singh claimed that the schemes like MUDRA had to be introduced because of inefficiency of previous govts and their unwillingness to work for the poor***

BY HAKEEM IRFAN, ET BUREAU | OCT 06, 2017

**THE ECONOMIC TIMES**

SRINAGAR: Jammu and Kashmir Finance Minister Haseeb Drabu criticized banks and financial institutions across India for their laziness by not lending to small enterprises thus pushing a sector that produces 45 percent of the manufactured output, backwards and discouraging entrepreneurs.

The Micro Units Development and Refinance Agency (MUDRA) scheme, Drabu said was an indictment of banking sector and financial institutions for which Prime Minister had to intervene by introducing these social intervention schemes and economic initiatives.

“Need of Mudra should not have arisen in first place. It is indictment of banking sector today that Prime Minister of a country has to intervene to get them to lend to small businesses at 11 percent. Isn’t it part of normal banking business otherwise?” said Drabu while addressing a MUDRA promotion campaign in Srinagar organized by the J&K Bank.

“We (the banking sector) have got used to very lazy kind of banking where we want to do corporate loans at very high rates without breaking our backs by doing small lending at small places. What Mudra seeks to address is credit imperfection in the economy because of lazy banking,” said Drabu. The banking sector of India, senior PDP minister said, has to understand that schemes like Mudra are an attempt to sensitize them about the fact that entrepreneurs fail due to social and domestic compulsions.

"There are 26 million small enterprises in India that generate 45 percent of the manufactured output in India and contribute to 40 percent exports. They employ 60 million people. But they just get 8 percent credit and that is the core issue. Their credit to GDP ratio is less than three percent. That is where the problem lies. Mudra is effectively to cover up for the inefficiencies caused by this lazy banking system," said Drabu.

MUDRA was launched in 2015 to develop micro enterprise sector in the country and achieve the goal of 'funding the unfunded' by addressing the issues inhibiting the flow of credit to micro industrial units in holistic manner. The scheme aims at employability and not employment and is seen as a game changer at grassroots aiming to support and finance around six crore entrepreneurs across India.

Union Minister Dr Jitendra Singh, while addressing the gathering claimed that the schemes like MUDRA had to be introduced because of inefficiency of previous governments and their unwillingness to work for the poor.

"India had to wait for 70 years for Modi to become PM. What has made all this difference and schemes like MUDRA a success is because of the credibility and trustworthiness of the PM and his government," said Singh. This government Singh said was dedicated to poor and has also given a freehand to economists like Drabu to operate and bring in changes for these sections of the society.

"The present government gave importance to peripheral states. We cannot have GDP of India growing simply on growth of western states but the northeastern states and northern hill states have to move along," he said.

The J&K Bank chairman Parvez Ahmed also informed that the banks in the state have already disbursed an amount of Rs 1000 crore to 41000 beneficiaries in the state against the annual target of Rs 2433 crore to 1.18lakh beneficiaries. "The banks and financial institutions of the state are committed to Parvez Ahmed also informed that the banks in the state have already disbursed an amount of Rs 1000 crore to 41000 beneficiaries in the state against the annual target of Rs 2433 crore to 1.18lakh beneficiaries. "The banks and financial institutions of the state are committed to ensure implementation of game changing schemes like MUDRA, despite local constraints," he said.

# Incoming boss of India's SBI says bad debt numbers "will look better"

BY REUTERS | OCT 05, 2017

## THE ECONOMIC TIMES

MUMBAI: Reviving credit growth and resolution of stressed assets will be the top most priority of Rajnish Kumar, the newly appointed chairman of State Bank of India who will take charge from October 7.

Speaking to media, Kumar said, "There are challenges so far as corporate credit growth is concerned." The bank has set credit growth target of 6-7% for this fiscal year. "As far as project pipeline is concerned, that is a cause of concern and I hope going forward we will have better project pipeline," he said. He indicated that the credit growth will be primarily be driven by retail credit.

In order to give boost to credit he said that SBI is looking at "more feet on street, more people doing credit appraisal and it will be actively look for good corporate credit and SBI has capability to increase its portfolio."

On stressed loans he said that each case is different. "All these cases have their own complexity. This is a dynamic situation and if we feel any course correction is required we will decide," he said. SBI's share of bad loans stood at 9.97% as on June 2017.

On the resolution of bad loans under new bankruptcy law, Kumar said, "When we go to NCLT for resolution, we have to look at the enterprise value, look how many buyers in the market, what is value they are putting and whether resolution or liquidation is better option." However he felt that liquidation is the worse option. "In that case your recovery will be lowest and that's why the decision would be based on what derives the maximum value for the banks. Also the enterprise value should be properly determined and the decision should be taken such that it does not result into any dilution in the value of the enterprise."

SBI is the lead bank in six defaulting companies of the total 12 large cases that the Reserve Bank of India (RBI) has directed banks to refer to the bankruptcy court for resolution of loans. Rajnish Kumar succeeds Arundhati Bhattacharya, who was the first woman chief at the bank. During her term, SBI merged its five associate banks with itself and

oversaw listing of SBI Life Insurance. Kumar will have a term of three year.

The newly appointed chairman also said that the bank is undergoing digital transformation and revamping its HR. "SBI is a system driven bank and the change in incumbency means that we will be reviewing all the action plans already happening in the bank. This is time to pause and see what is working, not working, where a course correction is required. Then we will have a blue print for the next 36 months with short-term and long-term goals clearly delineated," he said.

### AIBEA THIS DAY – 6 OCTOBER

|      |   |
|------|---|
| 1948 | Com. N K Gour Vice President, AIBEA (date of birth) |
|------|---|

### AIBEA THIS DAY – 7 OCTOBER

|      |  |
|------|--|
| 1997 | AIBEA donates Rs. 10 lakhs to Jadhavpur University – Endowment for a Chair in the Name of Com. Prabhatkar. |
|------|--|

### AIBEA THIS DAY – 8 OCTOBER

|      |  |
|------|--|
| 1957 | Sympathetic Strike in support of Calcutta bank men struggle for Compensatory Allowance at Jaipur and at several centers in Madhya Pradesh. |
| 1994 | MoU clinched on 6 <sup>th</sup> Bipartite issue at Delhi.  |
| 2008 | AIBEA calls for solidarity action with struggles of Bank Employees in Philippines  |



## 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](mailto:chv.aibea@gmail.com)  
 Web: [www.aibea.in](http://www.aibea.in)