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Setback for Vijay Mallya in foreclosure case

Vidya Ram
LONDON , NOVEMBER 21, 2018

Swiss bank UBS's attempt to foreclose on a mortgage loan on a London property of Vijay Mallya's scored a victory as the judge in the case approved their application to strike out certain parts of an amended defence submitted in May by the businessman's legal team, on almost all counts.

The case at the business and property courts of the Royal Court of Justice has been ongoing as the bank has sought to take possession of the property in prime central London, over the £20.4 million interest. The bank says that Rose Capital, through which the house was originally purchased in 2005, had not repaid the loan that was stated to be for a period of five years and subject to early termination by the claimant.

Mr. Mallya's legal team have sought to fight the application from UBS on a number of grounds, including a failure to recognise occupation rights and an allegation that UBS had "delayed and frustrated" the defendants' attempts to refinance the loan.

In his ruling the judge said that striking out a claim was a step that the court would "not take lightly," and only took place if a claim was "bound to fail." He said that aside from one issue – the defendants claim that UBS had pledged to roll over the debt for another five years after the initial five-year period – the case based on 10 other issues was "bound to fail" and it was appropriate for them to be struck out of the amended defence. The one remaining issue could remain within the amended defence document ahead of a trial that is set to commence next year.

"The language of the contractual terms in this case could not be more stark. The loan was made on an uncommitted basis and repayable on demand. UBS' standard conditions were amended to remove the need for there to be a trigger event before it was entitled to call in the loan and UBS was entitled to call in the loan in its absolute discretion," wrote Chief Master Mash in his judgment.

Beyond the details of the case, the judgment also offers an insight into upheavals within Mr. Mallya's defence team, including the breakdown between the law firm – Blake Morgan — and Mr. Mallya "including in relation to fees from late July 2018 onwards." The judgment was critical of the defences' handling of a two-day hearing that was set to take place after the judge made "special arrangements" to accommodate the defence's specific concerns and requirements.

The defence had sought to postpone proceedings, pointing to this breakdown – circumstances that failed to impress the judge. "Time has been allocated in the court diary which could have been devoted to other cases and an adjournment risks disruption to the progress of the claim, prejudice to the other party and wasted costs," he wrote, also noting that relations had begun to break down well before the hearing at which the date of the two-day hearing was set.

"UBS is pleased with the decision. Given that proceedings are ongoing it would be inappropriate to comment further," said the bank.

The RBI concedes a vital principle

T.T.Ram Mohan
NOVEMBER 22, 2018

Its openness to the board discussing all policy decisions may well be a paradigm shift

The angel was in the detail of the terse press note that the Reserve Bank of India (RBI) issued after the meeting of its board of directors on November 19. Every one of the four decisions taken, including three decisions related to regulation, was ascribed to the board. The note also mentions that the constitution of a committee to examine the economic capital framework of the RBI, which was one of the decisions taken, will be jointly determined by the RBI and the Government of India.

These announcements constitute a significant departure from what has appeared to be the position of the RBI thus far: policy decisions, especially those relating to regulation, are the exclusive province of RBI management. Any departure from this position amounts to an infringement of the RBI's autonomy.

The government and some of the current nominee directors on the RBI board have contended that all policy decisions must be deliberated by the board. The outcomes of the November 19 meeting suggest that the RBI has conceded this vital principle. This augurs well for the relationship

between the government and the RBI management hereafter. Indeed, it may well constitute a paradigm shift in the functioning of the RBI.

A grey area

The precise relationship between the RBI board and the RBI management is something of a grey area. Various experts have made the point that the RBI Act vests all powers in the board and, concurrently, it vests those very powers in the RBI Governor. Whether the board can issue directions to the RBI Governor in the event of a difference of opinion between the two is not clear; some experts reject the suggestion outright.

Many contend that the RBI board has played an advisory role in the past and should continue to do so. Well, corporate boards too play an advisory role for the most part even though they enjoy full powers in the running of the corporation. They tend to leave most decisions to management. However, corporate boards do step in and play a more active role where management is found wanting.

Surely, this applies to the RBI board as well? It can be nobody's case that the statute has conferred powers on the RBI board that were never meant to be exercised. Let us accept that these powers should be exercised rarely. Let us grant that the RBI board must play a largely advisory role. Even so, it is legitimate to expect that all policy matters would be deliberated by the board. The RBI management may or may not accept the inputs of the board. But the board must have its say. This is elementary corporate governance. In accepting this principle, the November 19 meeting of the RBI board marks a big step forward.

Raiding the reserves?

Let us turn now to the decisions taken at the meeting. How much capital the RBI needs has been hotly contested in recent years. The government's position is that the RBI's reserves are in excess of reserves typically held by central banks elsewhere. Some commentators have described the government's position as an attempt to 'raid the reserves' of the RBI to fund its fiscal deficit. The suggestion seems to be that the RBI has cash which the government wants to steal for its own purposes.

This is a crude mis-characterisation of the position. The RBI’s reserves fall into two categories: revaluation reserves (which have mostly to do with the change in the rupee value of the RBI’s holdings of gold and foreign currencies) and contingent reserves (which represent plough back of a portion of the surplus earned by the RBI every year, the remaining portion being transferred to government as dividend).

Contingent reserves are intended for risks related to the RBI’s balance sheet. Let us suppose that these should not be touched. Revaluation reserves are an accounting entry. The RBI can reduce some of the revaluation reserves on the liability side and extinguish an equivalent value of government securities on the asset side. The latter step would lower the stock of debt owed by the government. This would provide headroom for the government to raise debt for meeting its future expenditure (including recapitalisation of public sector banks).

So, yes, reducing reserves enables the government to spend — but not by stealing the RBI’s cash! It’s an idea that merits consideration. Whether reducing reserves from their current level via the accounting entries indicated above is appropriate for the RBI is for the proposed committee to judge.

Flow of bank credit

The other outcomes at the RBI board meeting have to do with increasing the flow of bank credit and easing the problems of borrowers, especially small and medium enterprises (SMEs).

Banks are subject to capital adequacy requirements — that is, they have to hold a minimum of capital against every rupee of loans they make. The RBI’s requirement of capital adequacy is one percentage point higher than that of the internationally accepted Basel norms laid down by the Bank for International Settlements. The government would like to align Indian banks’ requirements with the Basel norms as that would reduce the demands for capital made on it by public sector banks (PSBs).

The RBI did not yield on this point at the recent meeting. However, it has agreed to defer an increase in the capital requirement of banks of 0.625%

under another head by one year. This does give the government some breathing space in respect of additional infusion of capital into PSBs.

The RBI has also agreed to consider the government's suggestion for easing the norms for Prompt Corrective Action (PCA) for banks. The PCA imposes restrictions of various kinds on banks, including restrictions on lending for the weakest banks. The idea is that banks that are very weak should not create problems for themselves by making more loans. They should focus on getting their balance sheet right by reducing costs, selling some of their non-core assets and the like.

This is fine in principle. However, if many banks face lending restrictions for a prolonged period, it could create serious problems for the economy. Large corporates could get into distress because of their linkages with distressed SMEs. So can the healthier banks that are exposed to these corporates. To use the jargon, a PCA regime has significant negative externalities. A relaxation in PCA norms, by translating into higher credit flows, could relieve stress in the broader economy. This also applies to the decision, approved at the meeting, to allow restructuring of SME assets of up to Rs.25 crore.

The strident demand to enhance flows to non-banking financial companies (NBFCs), which was heard ahead of the meeting, finds no mention in the press note. It appears that the difficulties in rolling over NBFC debt that followed the collapse of Infrastructure Leasing and Financial Services (IL&FS), a leading NBFC, have abated somewhat. Evidently, the RBI was able to make a persuasive case on this point at the meeting.

It is the broader message of the November 19 meeting that is reassuring. As a public institution whose actions have enormous welfare implications, the RBI management cannot rule by fiat. Its actions must flow from a consultative process. It must explain and justify its actions. It must be seen to be accountable. The RBI board could be an important mechanism for ensuring that these conditions are met.

IKEA cuts 7,500 jobs globally; India spared

SPECIAL CORRESPONDENT
MUMBAI , NOVEMBER 21, 2018

Company to focus on e-com platform

Ingka Group (Ingka Holding B.V and its controlled entities), which owns and operates IKEA stores and fulfilment centres, has announced plans to cut 7,500 jobs globally out of its total workforce of 160,000 in 30 markets. However, India, which is a new market, will not be impacted, the company has clarified.

"So many jobs will become redundant because the company is developing city centre formats and focusing on its e-commerce platform, to better meet the needs of its customers and be more convenient and affordable to many more people," it said.

The jobs will be from administrative and human resources departments.

Jesper Brodin, CEO, Ingka Group, said: "We recognise that the retail landscape is transforming at a scale and pace we've never seen before. As customer behaviours change rapidly, we are investing and developing our business to meet their needs in better and newer ways."

"We will put greater emphasis on making our existing stores even better and taking the opportunity to renew and reinvent our business in a way that is inspired by our history, culture and values," he said. The company said it would add 11,500 jobs in the next two years.

IKEA India said it would create many more direct and indirect jobs. The number of co-workers is expected to grow from the current strength of 1,500 co-workers to over 15,000 co-workers in the future, out of which 50% would be women.

Besides jobs in the stores and new city centres, the company will also create a lot of new roles in areas such as digital, data analytics, diversified fulfilment networks and personalisation, it said.

Certain existing roles will change and the company confirmed that all its co-workers will get to explore new opportunities in the new structure. "3000 new jobs are expected to be created in the next two years in line with the growth plans and transformation," the company said.

Peter Betzel, Chief Executive Officer, IKEA India said: "The India organisation will align with the new global structure and competencies to build a future ready organisation in terms of skill sets. IKEA India will hire many more people, both in terms of direct and indirect employment, and as we start our digitisation journey, we will add many more co-workers with different skill sets, while also creating avenues for our existing co-workers to grow in many new roles."

IKEA India is on track to invest €1.5 billion in India and aims to be present in many Indian cities. Mumbai will be the first megacity in India to offer the full in India including city centre formats, large stores and a strong digital offering next year. In August 2018, the company opened its first India store in Hyderabad.

Rs.29,088-crore indirect tax evasion detected in April-Oct.

PTI
NEW DELHI, NOVEMBER 21, 2018
THE HINDU

Service tax dodgers formed the bulk at Rs.22,973 crore

The investigation arm of the Finance Ministry has detected tax evasion worth Rs.29,088 crore in 1,835 cases during April-October period of the current financial year, a senior official said Wednesday.

571 cases of GST

Of this, the Directorate General of GST Intelligence (DGGI), which is enforcement agency for checking indirect tax evasion, has detected evasion of goods and services tax (GST) worth Rs.4,562 crore in 571 cases.

However, the bulk of the evasion was detected in case of service tax.

The total number of cases where service tax was evaded stood at 1,145 involving Rs.22,973 crore.

In case of central excise duty, the DGGI detected 119 cases, where tax evaded was worth Rs.1,553 crore.

"DGGI officers have detected total indirect tax evasion of Rs.29,088 crore during April-October," the official told PTI.

He further said that the total amount of detection was likely to be more as the data did not include detection by field offices of the Central Board of Indirect Taxes and Customs (CBIC).

On recovery of the evaded taxes, the official said that a total amount of Rs.5,427 crore was realised during the seven-month period till October. These, he added, included recovery from previous cases and those detected during the current financial year.

Of the total recovery, Rs.3,124 crore was from GST evaders, followed by Rs.2,174 crore in case of service tax, and Rs.128 crore from those who had evaded central excise.

The larger chunk of recovery during April-October in GST, the official said, could be attributed to the decision of the CBIC to crack down on the evaders.

50% ATMs will be shut by 2019: industry body

SPECIAL CORRESPONDENT
MUMBAI, NOVEMBER 21, 2018
THE HINDU

Viability issues remain, says CATMi

About 1.13 lakh of the 2.38 lakh automated teller machines (ATMs) in the country will have to shut down by 2019 as operations will not remain viable, the Confederation of ATM Industry (CATMi), the apex body of the domestic ATM industry said on Wednesday.

The figure includes about one lakh off-site ATMs and a little over 15,000 white label ATMs. “A large number of ATMs in non-urban locations may be shut down due to unviability of operations,” CATMi said.

Guidelines for upgrade

The industry body said the forced closure was on account of unviability of operations brought about by recent regulatory guidelines for ATMs hardware and software upgrades, recent mandates on cash management standards, and the ‘Cassette Swap’ method of loading cash. If a large number of ATMs had to stop operations, then the financial inclusion programme would be severely impacted as millions of beneficiaries under the government’s Pradhan Mantri Jan Dhan Yojana scheme, who withdrew subsidies through ATMs, may find their neighbourhood ATM shut, CATMi said.

CATMi said that its members were already reeling under the financial impact caused by huge losses during and post-demonetisation as cash supply was impacted and remained inconsistent for months. Unless banks stepped in to bear the additional cost of compliance, ATMs would have to shut down, it added.

Board committees to assist RBI

Manojit Saha
MUMBAI, NOVEMBER 20, 2018
THE HINDU

‘Aim is to move to a system of rule-based decision making from the present discretion-based one’

The Reserve Bank of India (RBI) is set to get a makeover in line with its global counterparts, with several board committees to be formed on various aspects like technology, risk management, banking regulation, supervision, among others, to assist the central bank in its operations.

Proposed by the government, the issue will be discussed in the next board meeting of the central bank, scheduled for December 14. The other issue of improving governance standards of the RBI was on the agenda for

Monday's board meeting but could not be discussed. The third matter, relating to liquidity facility to non-banking finance companies, will also be discussed in the next board meeting.

"The aim is to move to a system of rule-based decision making from the present discretion-based one," said a person familiar with the development.

"At present, there are no such committees of the central board. The board will discuss the issue in the next meeting," the person said adding there could be a committee which will be formed to study the matter. The move is also seen to make the RBI management accountable to the board and making the board more hands-on. Till now, the board has not been involved in any policy-related matters but is engaged in providing a broader vision to the regulator.

On Monday, after discussing several contentious issues during the nine-hour long board meeting, decisions were taken on four aspects: forming a committee on RBI's economic capital framework, debt recast scheme for micro, small and medium-sized enterprises, extending the deadline for last tranche of capital conservation buffer by one year and review of banks under prompt corrective action by the Board for Financial Supervision (BFS).

According to sources, the BFS that comprises the governor, four deputy governors and a few board members, will study the performance and earnings of banks of the first six months of the current fiscal that are under the prompt corrective action framework of RBI. Accordingly, a decision will be taken to bring out some lenders from PCA depending on their performance. At present, 11 out of 21 public sector banks are under the PCA framework.

According to a Kotak Securities report, several public sector banks that are under PCA will get some relief on the capital adequacy ratio as the deadline for implementing the last tranche of 0.625% under the Capital Conservation Buffer (CCB), has been extended by one year, that is, up to March 31, 2020.

$1.7 billion relief

"The capital infusion programme from the government, which has been the only source of capital for these banks, gets relaxed because of the revised framework. Our calculation suggests that the government has probably received a relief of $1.7 billion because of the delay in transition as they would have had to infuse this capital by FY2019," it said.

On debt recast for MSMEs, the scheme will be applicable only to standard assets that are under stress and for loans for up to Rs.25 crore. RBI will now prepare the fine print for the scheme and will take about 15 days to announce it formally.

Q2 GDP growth to slow to 7.2% on higher fuel prices, weaker rupee: ICRA

SPECIAL CORRESPONDENT
NEW DELHI, NOVEMBER 20, 2018
THE HINDU

The ratings agency says it expects gross value added growth to be 7.1%

The second quarter GDP growth is likely to be substantially lower than that seen in the first quarter of this financial year due to higher fuel prices and a weaker rupee, according to ICRA.

The agency said it expected GDP and Gross Value Added (GVA) growth to be 7.2% and 7.1%, respectively, in the second quarter of this financial year, down from the 8.2% and 8% respectively in the first quarter.

"ICRA expects the growth of the Indian GDP and the gross value added (GVA) at basic prices in year-on-year (YoY) terms to ease substantially to 7.2% and 7.1%, respectively, in Q2 FY2019, from 8.2% and 8.0%, respectively, in Q1 FY2019, led by agriculture and industry, with the latter reflecting the impact of higher input and fuel prices, and a weaker INR."

"The sequential decline in the year-on-year GVA growth in Q2 FY2019, relative to Q1 FY2019, is expected to be led by industry (to 7.1% from

10.3%) and agriculture (to 3.5% from 5.3%), even as the momentum for the services sector is likely to improve (to 7.8% from 7.3%)," Aditi Nayar, principal economist at ICRA said in the report.

Ms. Nayar added that although the Index of Industrial Production and the available second quarter financial results of the corporate sector indicate an increase in activity in the manufacturing sector and increased revenue growth, the aggregate EBITDA [Earnings before interest, tax, depreciation and amortization] margins declined on a quarter-on-quarter (QoQ) basis. "An uneven and sub-par monsoon, flooding in some areas amid a late withdrawal of the monsoon rains, and instances of crop damage and pest attacks are likely to result in muted agricultural growth in Q2 FY2019," the report added. "Higher commodity prices may support a shallow recovery in the GVA growth in mining and quarrying from the marginal 0.1% in Q1 FY2019 to around 2.5% in Q2 FY2019, despite a slowdown in volume growth."

Services sector

Services sector growth is expected to rebound to about 7.8% in the second quarter from 7.3% in the first quarter, led by a sharp pickup in the expansion in the government's non-interest revenue expenditure, a rise in growth of bank deposits, air and ports cargo traffic, as well as a moderation in the pace of FII outflows.

"In contrast, indicators such as service sector exports, and the combined growth of commercial paper, corporate bonds and bank credit to large industries and services, recorded a decline in growth in Q2 FY2019 relative to Q1 FY2019," the report said.

Nearly 40% of lending to MSMEs is through informal channels

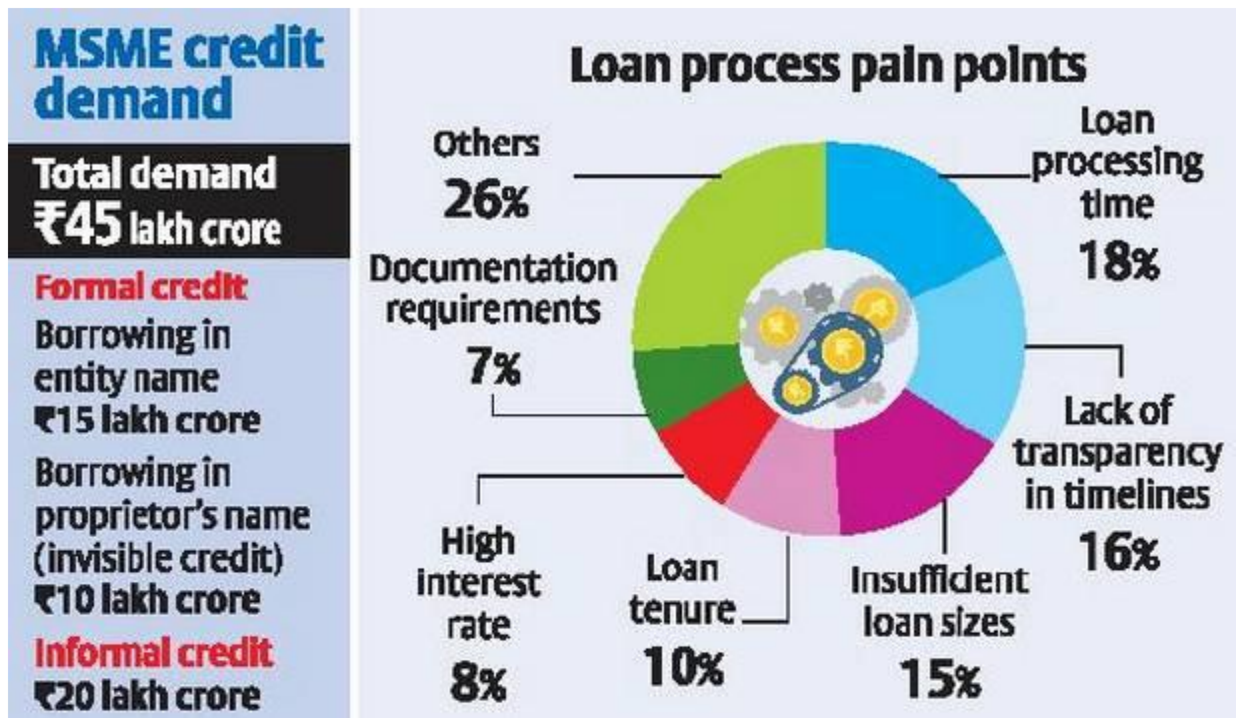
Small enterprises continue to grapple with traditional banking challenges, finds report

OUR BUREAU | MUMBAI, NOVEMBER 21

Micro, small and medium enterprises (MSMEs) still find access to formal credit a challenge with nearly 40 per cent of lending happening through informal sources, according to a new report by the Omidyar Network and BCG.

The report titled 'Credit disrupted: Digital MSME lending in India' estimated that in 2018, the total MSME credit demand will be Rs.45 lakh crore, of which Rs.25 lakh crore will be met through formal channels with the borrowing done in the entity's or proprietor's name. However, as much as Rs.20 lakh crore is seen as the unmet credit demand which is financed through informal channels.

"Roughly 40 per cent of MSME lending is done through the informal sector, where interest rates are at least twice as high as in the formal market," it said, adding that an additional 25 per cent of MSME borrowing is invisible and is through personal proprietor loans.



"We found that urban and rural MSMEs are quite similar in their borrowing behaviour, with nearly identical rates of informal borrowing and bank account registration," it further said. The findings come at a time when the government is working on special schemes to boost lending to

the sector, including a special package announced by Prime Minister Narendra Modi earlier this month to help improve access to credit.

"MSMEs in India continue to struggle with traditional banking challenges that, if addressed by digital lenders, could accelerate both formalisation and digitisation among businesses in this sector," said the report.

The main challenge

According to the MSMEs surveyed, the challenges faced in access to formal credit included long processing times, lack of transparency in timelines and insufficient loan sizes. "These pain points are substantial enough to compel many MSMEs to continue to seek out informal sources, often at much higher interest rates," it added.

But, with growing formalisation of the sector due to demonetisation and the introduction of the Goods and Services Tax, maturing 'India Stack', along with growing API-based data availability and increasing receptivity, the report said that there is great potential for digital lending. Digital lending to the sector can increase by 10 to 15 times to touch Rs.6-7 lakh crore in annual disbursements by 2023. At present, 99 per cent of formal MSME lending is through incumbent banks and NBFCs and most of it is non-digital.

"We could actually see a real opportunity for digital lending to MSMEs. You can do this business at 30- 40 basis points lower than the traditional way of lending to the sector. Not only can one do better quality business with more data, it can also be done in a more efficient manner at a far lower cost," Roopa Kudva, Partner and Managing Director, Omidyar Network, told ***BusinessLine***.

The report has recommended that digital lenders align themselves with the needs of MSMEs through measures like leveraging supply chain ecosystems and e-commerce platforms and embracing next-generation data analytics.

Significantly, it has suggested revamping the government loan refinancing programmes through SIDBI and MUDRA to include newly-established digital lenders and focus on small, new-to-finance MSMEs. "The current

programmes do not serve the riskiest, new-to credit MSMEs segment where support is most needed," it said.

The report surveyed 1,500 MSME owners with annual business revenue between Rs.3 lakh and Rs. 75 crore, held discussions with over 80 MSME owners and interviewed more than 60 digital lenders, intermediaries, ecosystem partners, and other subject-matter experts.

Revenue shortfall may put pressure on the fisc

Likely deficit in GST mop-up, tepid divestment flows set to weigh on Centre's finances

KR SRIVATS | NEW DELHI, NOVEMBER 21

THE HINDU BusinessLine

A likely slippage in GST collections in the current fiscal, coupled with an expected bad show on non-tax revenues, has sent the Centre scurrying to raise resources from other non-traditional avenues such as RBI's reserves, say economy watchers.

Being a pre-election year, the Centre is facing another hurdle. It will not be able to compromise on both revenue and capital expenditure budgeted for the current fiscal, they said. Expenditure will be sticky and scope to reduce it will be minimal.

Pressure on the fisc is going to come more from the revenue side than the expenditure side especially with the disinvestment track record being far from satisfactory this fiscal. Till date, the disinvestment receipt mop-up is less than Rs.16,000 crore as against target of Rs.80,000 crore.

Moreover, the dividend flows from state-owned banks have dwindled and most central public sector enterprises too are not doing heavy lifting in terms of dividend payouts. With the economy expected to grow slower in the second half as against the first, the pressure on the fisc is only going to increase, experts pointed out.

No pressure now

Madan Sabnavis, Chief Economist, CARE Ratings, said there was no pressure on the fisc right now, but in the next four months some pressure points are visible which is the reason why the Centre is looking at contingency plans.

The government is cognisant of these pressure points on the fisc and hence preparing to tackle it, he said. "The government still has the option of running down on the cash reserves like last year, which helped control the fiscal deficit without any additional borrowing," he added. Till the first half of this fiscal, the fiscal deficit picture has been in line with the trends of the previous years and reaching over 90 per cent of the budgeted level is not something to worry about as this is usually the case.

Devendra Kumar Pant, Chief Economist and Head-Public Finance, India Ratings, said the pressure on the fisc is largely coming from the revenue side. "The direct tax collections so far are at par with the growth assumed in the Budget. The main pressure point is coming from GST. Average monthly GST growth is currently lower than the budgeted growth," Pant said.

With Air India's strategic disinvestment not happening, there is a chance that the Centre will fall short of the overall target.

Expenditure picture

On the expenditure side, Ayushmann Bharat and the promised higher Minimum Support Price (MSP) payouts cannot be avoided in the coming months.

Pant said there is long gap between now and May (when the General Elections are likely to take place) and the fiscal picture could change. "We really don't know how much the actual outgo for Ayushmann Bharat and MSP will be," he said.

Urban co-op banks irked over RBI's proposal on board of management

K RAM KUMAR | MUMBAI, NOVEMBER 21

The Urban Co-operative Banking sector is miffed at the Reserve Bank of India's draft guidelines on Board of Management, which makes the constitution of such a Board mandatory to get regulatory approval for expansion of area of operation and opening of new branches. There are fears that such a requirement could stifle growth of the smaller UCBs as they may not be in a position to put in place such a Board.

With almost 69 per cent of the banks in the urban co-operative banking sector being classified as Tier I (with less than Rs.100 crore deposits), veteran bankers from the sector feel creating a Board of Management (BoM) will add to their costs as allowance / sitting fees will have to be paid to the Members. There were 1,562 UCBs in the country as at March-end 2017.

These banks already pay allowance / sitting fees only to the board of directors (BoD). What is worrying bankers is that it may be difficult to attract persons having special knowledge or practical experience in respect of areas such as accountancy, economics, finance, information technology to be members of BoM located in smaller towns as the compensation is unlikely to be worth their time and effort.

Jyotindra Mehta, All-India President, Sahakar Bharati, which is an umbrella body of co-operative banks and societies in the country, said it is unfair to the large number of soundly-managed UCBs to impose BoM on them.

Betters commercial banks

By its own admission in its 'Report on Trend and Progress of Banking in India,' RBI states that UCBs have outperformed the commercial banks in many health parameters, including bad debts and gross NPAs.

"This performance is with the existing system of BoD, which indicates that our system is at least as effective as the BoD system obtaining in the commercial banks, if not better," underscored Mehta.

To overcome constraints imposed by dual regulation (the State/ Central Registrar of Cooperative Societies also has oversight over UCBs), the RBI has envisaged the BoM concept so that it gets a handle on these banks. The BoM will be responsible to BoD. Broadly, BoM's responsibilities will include managing credit, risk and liquidity.

Mehta said the sector strongly opposes any move to curtail growth of urban banks by denying them new branch licences, or by putting other curbs just because they are not subscribing to the idea of a separate BoM. He alleged that this concept is a move to undermine the idea of doing banking business through the cooperative route.

A welcome win for the RBI

Retaining the capital adequacy norm is a key positive. On PCA, the RBI would do well to not dilute the framework too much

RADHIKA MERWIN

THE HINDU BusinessLine

The long-winded RBI board meeting that ended on a fairly cordial note, has the RBI's winning stamp all over it. Sure, on the face of it, both the Centre and the RBI seemed to have found common ground on contentious issues — setting of an expert committee to examine the Economic Capital Framework of the RBI; the Board for Financial Supervision of the RBI looking into banks' PCA (prompt corrective action) framework; and yes, the much-awaited respite on capital norms.

But in each of these outcomes, the subtle but clear message is this: the central bank gets to call the shots on important policy matters and justifiably so. Take the case of the RBI's capital.

Most reports suggest that the panel will only deliberate on future earnings and not the much-debated Rs.9 lakh crore of reserves in the RBI's coffers, which the Centre has been trying to lay claim on. Of course, it is still early days to say in whose favour the balance tilts, as the composition of the committee and its scope are unclear.

But it is the issue of banks' capital norms and PCA framework that deserved a quick and conclusive verdict, which appears to have been delivered. The RBI, by retaining the 9 per cent capital adequacy requirement for Indian banks — higher than the Basel mandated 8 per cent — has firmly gotten this prickly issue out of the way. Given that public sector banks (PSBs) are still inadequately provided for stressed assets, cutting down the capital requirement would have been catastrophic.

Capital norms

An April 2017 RBI paper on risk-weighting under Basel framework has well-argued the need for higher capital adequacy norms for Indian banks. It found that Indian credit rating agencies' cumulative default rates (CDRs) and the resultant notional risk-weights were higher than the risk-weights currently prescribed by Basel. This implied that banks ran the risk of being under-capitalised as the risk-weights laid down by Basel (which has more or less been adopted by the RBI) may not reflect the true default risk in loans of Indian banks — a point reiterated recently by Deputy Governor Vishwanathan. Hence by mandating a higher capital ratio for Indian banks, the RBI hopes to mitigate the risk of under-capitalisation.

In any case, given the pace at which PSBs have been guzzling capital over the past two to three years, the need for a stringent capital norm is a no-brainer. Even after the Centre announced its mind-boggling Rs.88,000 crore of recap last year, many PSBs have been hardly meeting their capital requirement.

Between September 2017 and March 2018 quarters, Tier I capital ratios for weaker PSBs (placed under PCA) have fallen sharply. This despite a near 8 per cent fall in risk-weighted assets during this period — the lowering of risk profile should have eased up banks' capital.

The state of affairs as of September 2018 is more dismal. Nearly half of the PSBs do not meet the current total capital requirement (including capital conservation buffer or CCB). Even if the RBI did lower the 9 per

cent requirement to 8 per cent, about seven banks would still fail to meet the requirement.

By standing firm on the capital adequacy norms and only tinkering at the margin — extending the timeline to meet the last tranche of CCB — the RBI has sent out strong signals that there will be no compromise on prudential norms.

February circular stays

There is no going back on the February directive on stressed assets either. Despite widespread clamour for leeway for stressed power sector accounts, there was no mention of it in the board meeting.

The restructuring scheme under way for stressed assets of MSMEs appears an extension of the existing relief for banks having exposure to MSME borrowers (up to Rs.25 crore) wherein they continue to classify such accounts as standard where dues between September 2017 and December 2018 were paid not later than 180 days (as against the usual 90-day norm).

With this benefit to be withdrawn from January 2019, the RBI appears to have agreed to consider a scheme for hard-hit MSMEs — 'subject to conditions necessary for ensuring financial stability'. The RBI would do well to pay heed to its caveat and take a cautious look at the sector. But as far as its diktat for large accounts goes, the RBI appears to have had its way and rightly so. After all, the skeletons that kept tumbling out of banks' restructured accounts had to be flushed out.

PCA agenda

One of the most vigorous debates recently has been around the RBI's PCA norms. The Centre has been maintaining that the more stringent NPA and capital threshold levels brought in last year have led to a large number of PSBs falling under PCA, crimping credit growth.

There are basically two issues here: One, while it is true that PCA norms in India are more onerous than elsewhere, they are not entirely rule-based as some would argue.

As per banks' FY17 net NPA, capital and profitability metrics, 16 or 17 PSBs should have fallen under PCA, based on the RBI's stated thresholds alone. But only 11 banks were placed under PCA, suggesting that the RBI has reviewed the matter on a case-to-case basis.

Two, the PCA framework has been in operation since December 2002. Since then, net NPA and profitability (return on asset) have been a criteria under PCA.

Hence demands by the Centre to do away with these thresholds as they are not in sync with global practices may not hold much water, as they have been in existence for over 15 years now.

So what will the the RBI do? Will it ease up on the thresholds? Based on FY18 financials, 17 PSBs can fall under PCA based on net NPA threshold alone and nine on ROA alone (negative for two consecutive years). Even if one were to revert to the old threshold levels of net NPA and ROA (prior to 2017), about half of the PSBs could be under PCA on net NPA alone and nearly all on ROAs alone. Hence lowering the thresholds may not make much of difference, given that the financials of PSBs have deteriorated sharply in recent years.

The PCA framework will be reviewed by the RBI's BFS, as put out in the board meeting. The focus is likely to be on getting banks out of the PCA, possibly some leeway in the ROA criteria — reducing two consecutive years of positive earnings to one for pulling banks out of PCA. But given that FY18 was a washout and nearly half the PSBs have reported loss in the September quarter, how much of a difference this would make is anybody's guess.

The RBI would do well to not entirely dilute the prudential norms and hold its ground. After all the Centre's myopic view on each of the above issues is intended to serve one purpose alone — wade through the election year with a tidy fisc record. The RBI's relief on the CCB component of capital will ease up about Rs.14,000 crore for the Centre by way of recap plan.

Another Rs.15,000-20,000-crore respite, with some tinkering on PCA and other norms, would do the trick. It is another matter that none of these

would resolve the festering issues in the banking sector — reviving credit growth being the most critical.

FinMin seeks inputs for Budget

PTI | NEW DELHI, NOVEMBER 21

THE HINDU BusinessLine

The Finance Ministry has sought inputs from different Central ministries for Arun Jaitley's Budget speech, which would be the last budget of the current BJP-led NDA government before the 2019 general polls. Last month, the Ministry began the budgetary exercise. During the process, meetings were held with ministries of steel, power, and housing and urban development, among others, to finalise revised expenditure for the current fiscal and projections for the next financial year. In view of the upcoming general elections, the government is likely to come out with an interim budget, also referred to as vote-on-account.

Modi govt planning full Budget 2019, not vote on account

A full Budget 2019 and not a note-on-account is indicative not only of the Narendra Modi government's confidence of being re-elected after 2019 Lok Sabha elections, but also reworks an established precedent

The Budget 2019 will be the last by the Narendra Modi government ahead of the 2019 Lok Sabha elections in May

Nov 22 2018 | Asit Ranjan Mishra

New Delhi: Implicitly signalling a second tenure for itself, the Narendra Modi government proposes to chart its economic thinking in its budget for the year starting 1 April, with focus on an ambitious expenditure programme. The finance ministry plans to present a full budget on 1 February, a senior government official said. Budget 2019, which will be

the last by the present government ahead of the 2019 Lok Sabha elections in May, going by established practice should be a vote-on-account, with government seeking Parliament approval for expenditure from the Consolidated Fund of India for the interim period.

Lok Sabha elections are scheduled in the first half of next year as the incumbent government will complete its five-year tenure in May.

If indeed the government goes through with its plans, not only is it signalling its confidence about being re-elected, it is also reworking an established precedent. Earlier, the government had advanced the presentation of the Union budget to 1 February so as to let government departments undertake spending from the beginning of the fiscal. Now it is effecting a similar departure on the grounds that an economy of the size of India cannot afford to lose direction in the intervening period till a new government takes charge.

Signalling policy continuity in the budget is the correct approach, said D.K. Srivastava, chief policy adviser at EY India. "As long as no major policy changes including tax policy are undertaken in the budget and expenditure approval is taken for the relevant period, then it would be an appropriate approach," he added.

After sending an initial letter on 18 October, the finance ministry sent reminders to central government departments and ministries on Tuesday to submit inputs by 30 November for finance minister Arun Jaitley's budget speech.

"We will signal continuity. We cannot dislocate the economy just because of the elections. Wherever there is gap in expenditure, we will plug it," the government official said on condition of anonymity.

The person said the government would be sticking to routine and publishing an Economic Survey, essentially the economic report card for 2018-19, though normally this task is left to the next government. The government has appointed a panel under former Reserve Bank of India governor Bimal Jalan to select the next chief economic adviser in the

finance ministry and so far it has held two meetings to vet 20 applications.

The government also advertised on 23 October for the post of senior economic adviser in the finance ministry for a period of three years, signalling its intention to strengthen the economic research wing in North Block.

The finance ministry is putting North Block in quarantine starting 3 December, restricting the access of journalists to ministry officials as budget preparation gains momentum.

"Letters have already been sent to departments to submit revised estimates for 2018-19 and budget estimates for 2019-20," another government official said requesting anonymity. "We may also hold consultations with industries and various stakeholders to understand their expectation from the budget."

Capital norms deferment to raise banks' lending capacity by Rs.3.5 lakh cr: Experts

The additional amount will help provide much-needed funds for MSMEs

PTI | NEW DELHI, NOVEMBER 21

The Reserve Bank of India's move to extend the deadline for meeting the capital conservation buffer (CCB) norms by one year would help increase the lending capacity of banks by more than Rs.3.5 lakh crore, according to experts.

The additional amount will help provide much-needed funds for micro, small and medium enterprises (MSMEs) and non-banking financial companies (NBFCs) that are facing cash crunch.

According to a senior public sector banker, it will make a difference for those banks that are below this regulatory requirement of capital. It will

also help a few banks defer capital-raising plans from the market, as the requirement for capital has come down due to the extension to meet the CCB requirement, the banker said.

Earlier this week, the RBI, at its central board meeting, decided to extend the implementation of the CCB norm of 0.625 per cent of risk-weighted assets (RWA) by a year to March 2020.

However, the board decided to retain the capital adequacy ratio or CRAR at 9 per cent, against 8 per cent prescribed by Basel III norms.

The CCB currently stands at 1.875 per cent, and the remaining 0.625 per cent was to be met by March 2019, as per the deadline earlier fixed by the RBI.

The extension of the timeline for the implementation of the last tranche of the CCB under Basel-III capital regulations could reduce the burden of public sector banks (PSBs) by Rs.35,000 crore this fiscal, said rating agency Crisil.

Generally, there is a leverage of 10 times on the capital, the banker said, adding that the lending capacity would increase by Rs.3.5 lakh crore.

Liquidity situation

It will help ease tight the liquidity situation triggered by a series of defaults by group companies of Infrastructure Leasing & Financial Services.

This will also provide some breathing space to capital-starved PSBs, said Crisil. The CCB is a buffer that banks have to accumulate in normal times to be used for offsetting losses during periods of stress. It was introduced after the 2008 global financial crisis to improve the ability of banks to withstand adverse economic conditions.

The agency also revised down its capital requirement estimate during the fiscal to Rs.85,000 crore from the earlier Rs.1.2 lakh crore.

More than Rs.1.12 lakh crore in capital has been infused into PSBs since April 2017, and another Rs.99,000 crore needs to be raised by March

2019, of which,Rs.53,000 crore is scheduled as equity to be infused by the government, it said.

RBI move boosts banks' lending ability to $42 billion

Sources said that the RBI has agreed to allow banks to restructure the stressed loans to small and medium size companies

RBI agreed at its board meeting on Monday to extend the deadline to March 31 so that lenders may further lift capital conservation buffers

REUTERS | MUMBAI/NEW DELHI, NOVEMBER 20

The Reserve Bank of India (RBI) estimates that banks will have capacity to lend an extra Rs.2.5 trillion to Rs.3.0 trillion (i.e $35 billion to $42 billion) over the next year. Sources said this comes after the RBI decided to relax a deadline for lenders to boost capital ratios.

The apex bank agreed, at its board meeting on Monday, to extend a deadline to March 31 so that lenders may further lift capital conservation buffers.

The relaxation will also reduce the banks' capital requirements by about Rs.300 billion to Rs.350 billion.

"The relaxation is a credit negative for banks," international credit rating agency Moody's Investors Services said.

During Monday's meeting, the board advised the central bank to support small businesses and give banks more time to step up capital norms.

"The RBI has agreed at the board meeting to allow banks to restructure the stressed loans to small and medium size companies," said sources.

NO FIREWORKS

The RBI's board meeting, usually a staid affair, came sharply into focus after top government officials pressed the RBI to ease lending and capital rules for banks, provide more liquidity to the shadow banking sector,

support lending to small businesses as well as let the government use more of the RBI's surplus reserves to boost the economy.

“The broad concern that board members wanted the RBI to address was that no one should be starved of credit,” a source said.

There were no fireworks at the meeting unlike during the run-up, when strains between the government and the central bank became public, leading to speculation that Governor Urjit Patel might resign.

“Everyone was sophisticated in their behaviour and everyone participated in the discussions. All the decisions were taken with everyone's consent,” the source said.

Three topics were discussed at the meeting - lending to small businesses, capital buffers for banks and the RBI's reserve adequacy. Presentations were made by RBI as well as finance ministry officials.

The Modi administration wants to boost growth as it is concerned that low crop prices and difficulties faced by small businesses may dent its prospects in numerous state polls over the coming weeks. It would also affect its prospects in the nationwide elections due by May next year.

Seeking help to bolster the economy, government officials and one independent RBI director had called for strong actions by the central bank.

Unhappy over the persistent pressure on the RBI, Deputy Governor Viral Acharya warned last month that undermining central bank independence could be “catastrophic”.

A source said that the next meeting on December 14 will take up issues on liquidity, risk weights and capital provisioning for banks and governance of the RBI.

“The RBI, the government and the independent board members - all of us are on the same page when it comes to doing what's the best for the country. The only difference in opinion is on how and how much,” the soure added.

Digital lending opportunity in India is huge for banks, NBFCs: Omidyar MD

SURABHI | MUMBAI, NOVEMBER 21 BusinessLine

Digital payments in India have leapfrogged, and along with the information available from GST, can help provide easier and more affordable credit to small businesses, believes Roopa Kudva, Partner and Managing Director, Omidyar Network. In an interview with ***BusinessLine***, Kudva also spoke about Omidyar Network's plans for India, and said it would focus on entrepreneurs looking to serve the next half-billion Indians coming online for the first time. Excerpts:

What led to the research on MSMEs?

We are an impact investment fund. We wanted to focus on underserved areas to help people improve their productivity and income generation, and hit upon the MSME segment.

In our portfolio, we started investing in firms such as Vistaar Finance, which lends to rural SMEs. We also invested in Varthana, which lends to private schools; NeoGrowth, which lends to urban small businesses; and IntelleGrow, which provides customised loans to SMEs. But what we have noticed is that India has really leapfrogged as far as digital payments are concerned, and now with GST, there is a lot more information available. We think for the first time there is an opportunity to address the problem of availability of credit to small businesses.

What are the plans of Omidyar Network for India?

We have been in India since 2008, and it is a very important geography for us. So far, we have invested through equity and grants in more than 70 organisations, and have reached 300 million people. We have also added a new office in Bengaluru. We will look at a $55-60 million investment every year.

What are the sectors that you will invest in?

Our focus area in India would be the population segment called 'the next half-billion'. This is why the SME segment is so important. This means the next half-billion Indians who will come online for the first time on their mobile phones, or are new to digital platforms.

Our primary focus will be to invest in entrepreneurs who are serving this segment. We will focus on six sectors – education, financial inclusion, governance and citizen engagement, property rights, emerging technology and digital identity. We expect to continue to have a mix of equity investments and grants.

Have government schemes such as MUDRA helped the sector?

The government wants to focus on MSMEs which is very good. The key issue is that Level 1 lenders need to start lending, and then the refinance schemes start kicking in. That's where we think digital lending has the ability to really transform the game. Once that takes off, then the lender will be able to access schemes such as MUDRA as part of funding for themselves. The digital lending opportunity in India is huge for all, including banks and NBFCs; new players do it individually, or in some kind of partnership together. The open architecture, unified payment system, and data from GST allow different kinds of players to enter the market without any of them having an undue advantage. Different models have the potential to emerge and whichever the model be, it will be a lower cost model than the current way of lending to MSMEs.

What about concerns of collateral and NPAs in the sector?

Traditionally, MSMEs have been seen to be a risky segment because NPAs to the sector have been high. Now, there is real-time transaction data, which is very big and can help improve the quality of lending.

Second reason for NPAs was that a large part of the funding for small businesses was coming in from informal sources, which increased costs and impacted the viability of the business.

Third, these businesses were not in the formal sector, with a lot of their cash flows not being formally captured. These three issues are now being addressed.

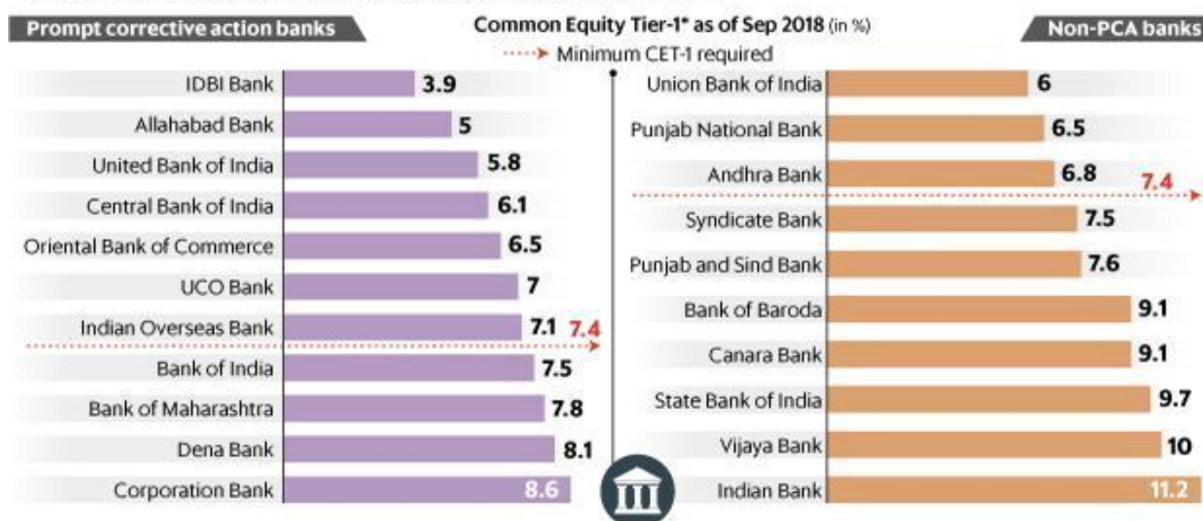
Govt gunning for lending boost, but banks are out of powder

To think that RBI's relief on maintaining the full capital conservation buffer will cause lending to jump by almost 50% is clearly naïve

The government is forgetting that unless it puts money into the lenders it owns, the economy doesn't get any benefit

Nov 22 2018 | Aparna Iyer

In the give and take between the government and the central bank, it has been reported that the leeway on Basel III has given lenders a potential to lend Rs.3.7 trillion more. Non-food credit in all of FY18 stood at Rs.7.95 trillion. To think that the Reserve Bank of India's (RBI's) relief on maintaining the full capital conservation buffer (CCB) will cause lending to jump by almost 50% is clearly naïve.



Private sector banks are doing what they want to do and do not require any holiday on capital goals. They have the muscle to give out loans to deserving borrowers even now.

The purpose of the government in arguing for a leeway on capital was to give parched public sector banks the much-needed powder to lend. But in every argument, the government is forgetting that unless it puts money into the lenders it owns, the economy doesn't get any benefit.

Banks were supposed to keep a CCB of 2.5% by end-FY19. Now, they can stay with the 1.875% CCB requirement already in force. Ergo, estimates by analysts on how much capital has been freed up for troubled state-owned banks are in the modest range of Rs.12,000-13,500 crore.

Applying a thumb-rule leverage of 10 times capital gives a lending potential of under Rs.1.5 trillion. Of course, if one adds the extent of potential drawdown on the buffer by private sector banks, the more than Rs.3 trillion estimate would not look outlandish at all. But as pointed above, no one is stopping private sector banks from lending now.

It's the state-owned banks that are in dire straits and those under prompt corrective action (PCA) even more so. A glance at the chart above shows how bad they fare on capital requirements. Besides, they aren't making any profits whatsoever because of the toxic loan pile they have on their books.

Even if we take the potential for lending on account of the CCB relief at face value, it would be difficult for banks to find deserving borrowers and avoid further deterioration in non-performing assets (NPAs)

Moreover, they will have to lend roughly Rs.10 trillion worth of loans in FY19 if the systemic growth of 12%, as estimated by an RBI survey, needs to be achieved. Of this, banks disbursed about Rs.3.5 trillion in the first half of FY19.

The 18 private sector banks had a share of nearly 70% in these disbursals. For the rest of the Rs.6.5 trillion, it is obvious that the bulk would come from them again.

What the government needs to make peace with is that if it wants to send a posse of banks to lend, it has to supply them with powder. Mere calculative concessions won't work.

ECF panel to submit RBI reserves report by February end

A joint panel to review RBI's economic capital framework (ECF) will be formed within a week, and may include finance minister Arun Jaitley anf RBI governor Urjit Patel as well

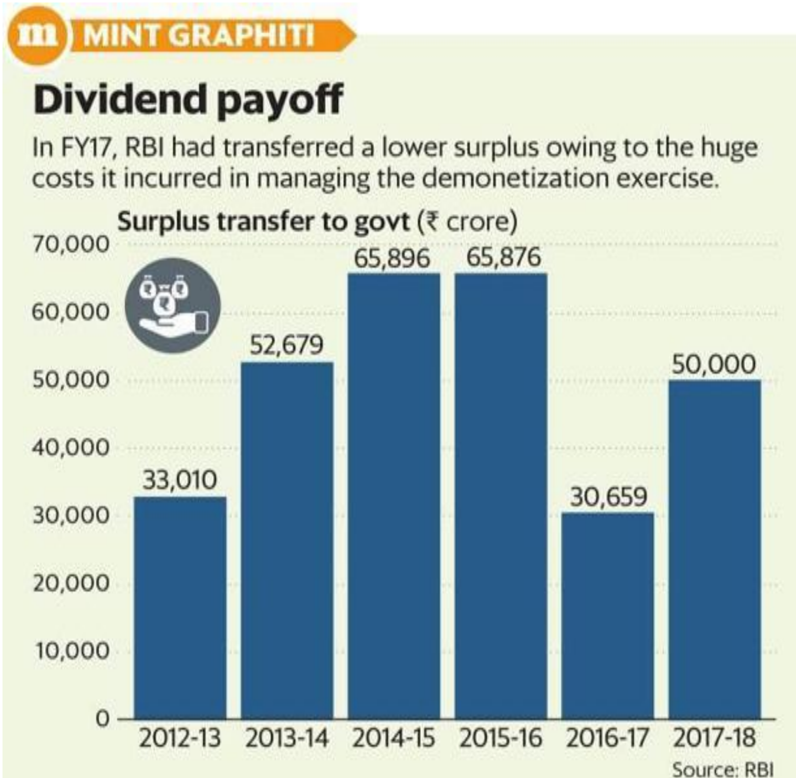
In FY17, RBI had transferred a lower dividend to the government owing to the huge costs it incurred in managing the demonetisation exercise

Nov 22 2018 | Shayan Ghosh & Remya Nair

Mumbai: The expert committee to examine the economic capital framework (ECF) of the Reserve Bank of India (RBI) will be formed within a week, two people aware of the discussions said, adding that it will submit its report by the end of February. RBI had on Monday announced, after a meeting of its central board, that the membership and terms of reference of the committee will be jointly determined by the government and the central bank.

The first person cited above said the committee will examine the optimum level of reserves required to be maintained by the central bank. It will be on the lines of earlier committees like the Subrahmanyam Group (1997), the Usha Thorat Group (2004) and the Malegam Committee (2013). All three committees have suggested different levels of reserves to be maintained by the central bank.

The Subrahmanyam Group had recommended that contingency reserve should be built up to 12% of the total assets and set a timeline for achieving the same till 2005. The Usha Thorat Group assessed the reserve adequacy at 18% and the Malegam Committee had pointed out that adequate amount of the profits should continue to be transferred each year to the contingency reserve.



"While the board has not given a formal deadline for submission of the committee's report, it was unanimously decided that the report should not take more than three months. The board said that this report was of paramount importance and should be submitted as soon as possible," one of the two people said.

The person added that RBI deputy governors and representatives of the finance ministry made presentations on stress in the micro, small and medium enterprises (MSMEs) and on the central bank's capital position at the board meeting. According to the person cited above, discussions in the board meeting were cordial and issues like capital requirements of commercial banks were unequivocally agreed upon by RBI and the government.

The second person cited above said the RBI governor and the finance minister will decide the composition of the committee, which could also include external experts.

The central bank's core reserve —contingency fund—is only around 7% of its total assets and the rest of it is largely in revaluation reserves which fluctuate with corresponding changes in currency and gold valuations. In

2017-18, the central bank's contingency funds and revaluation reserves stood at Rs.2.32 trillion and Rs.6.92 trillion, respectively.

Moreover, RBI data shows that the growth in the contingency fund has not been on par with growth in revaluation reserves. While revaluation reserves have more than trebled from Rs.1.99 trillion in 2008-09 to Rs.6.92 trillion in 2017-18, the contingency fund has grown a meagre 50% in the same period from Rs.1.53 trillion to Rs.2.32 trillion.

Meanwhile, if the report validates the government's stand on RBI hoarding capital, the excess could perhaps be used to manage its fiscal deficit before the end of the year.

Indira Rajaraman, an economist and a former RBI board member, in an interview to *Mint* last week, had said that the government's actions on the reserves front could be attributed to the fiscal strain and pointed out how achieving the fiscal deficit target for 2018-19 is nearly impossible. "I have always been a believer that this year the finance minister should stand up and say that the fiscal deficit target of 3.3% of GDP (gross domestic product) is just not within reach," she had said.

However, Subhash Chandra Garg, economic affairs secretary, has recently rejected reports of any fiscal deficit crisis. He had tweeted that the government has already foregone Rs.70,000 crore of budgeted-borrowing and reiterated that it will meet the target of fiscal deficit at 3.3% of GDP.

Govt may report jobs growth data across all sectors by early 2019

It is likely to unveil a series of employment generation data collected from industries and households, as well as small businesses that have taken out Mudra loans from the government

The EPFO jobs data has its limitations and suffers from duplication

Nov 22 2018 | Prashant K. Nanda

New Delhi: Come 2019, the Union government may have some answers on the number of jobs it has created over the past few years both in the formal as well as informal sectors.

It is likely to unveil a series of employment generation data collected from industries and households, as well as small businesses that have taken out Mudra loans from the government, said three government officials, requesting anonymity.

"The spadework is over, and final back-end work is on. Once the assembly elections to the five states, and the winter session of Parliament are over, the survey results will be unveiled," said the first official. Counting of votes for the assembly elections are to be held on 11 December, while the winter session of Parliament ends on 8 January 2019.

The three surveys are the employment and unemployment survey by the labour bureau, the National Sample Survey Office (NSSO) findings on jobs, and the survey on employment outcome of the Mudra loans — also carried out by the labour bureau. The labour ministry's quick employment survey is also awaiting a go-ahead from the government-appointed jobs panel.

At least three jobs survey to be unveiled to counter joblessness claims

Job creation has been a subject of heated debate. The current level of employment generation has not kept pace with the 12 million people entering the labour market each year. In 2015, India's unemployment rate was 5% and joblessness among graduates and above in the 18-29 age group was 18.4%, according to labour bureau data. Though the government said 14.5 million workers joined the Employees' Provident Fund Organisation (EPFO) in the 12 months ending 31 August 2018, its data also showed 9.1 million leaving formal jobs. The EPFO data, however, has its limitations and suffers from duplication.

While the employment and unemployment survey, and NSSO findings are all household surveys, the one related to Mudra loans is a review of the informal sector. The quick employment survey will gauge the actual number of jobs added by companies.

Mudra loan beneficiaries are being surveyed to find informal jobs growth

"Of all the surveys, the labour bureau-conducted employment survey is the largest which will give a comprehensive picture—from unemployment rate to women's labour force participation rate and youth unemployment, among others. It has taken a sample size of 150,000 households," the second official said, adding that the NSSO has a slightly smaller sample size but its outcome is well-regarded.

A spokesperson for the labour ministry declined to comment.

The second official said the survey to gauge employment generation from Mudra loans started in May-June this year and that the groundwork for most of it is over. "We have taken a sample size of 125,000 Mudra loan beneficiaries to show how a scheme has helped in creation of jobs in the informal sector."

The third official said the outcome of the survey will give a sense of jobs created in India in the last few years both in the formal and informal sector. "It will also arm the ruling coalition in the centre with indisputable data before the general elections," he said, adding whether these jobs in the informal sector are decent work or not is a different debate.

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