

'Lending to micro, small and medium enterprises rises 19.3% annually over last five years'

ENSE ECONOMIC BUREAU MUMBAI, APRIL 11

LENDING TO micro, small and medium enterprises (MSME) — both entities and individuals — has expanded rapidly over the last five years with the total balance outstanding increasing at a compounded annual growth rate (CAGR) of 19.3 per cent.

According to a TransUnion CIBIL-SIDBI report, commercial credit growth has continued to rise to 14.4 per cent year-on-year (y-o-y) in the quarter ended December 2018.

The total on-balance sheet credit exposure in India stood at Rs 111.1 lakh crore as of December 2018, of which MSME credit accounts for Rs 25.2 lakh crore, including credit to MSME entities and credit to individuals for business purposes.

The non-performing asset (NPA) rates have also shown a gradual reduction with NPAs in the large segment declining from 20 per cent in June 2018 to 19 per cent in December 2018, and the NPA rate for the mid-segment fell from 18 per cent in June 2018 to 16.5 per cent in December 2018, the report said.

Mohammad Mustafa, Chairman and Managing Director, Small Industries Development Bank of India (SIDBI), said: "MSME credit growth acceleration along with a decline in NPAs is a very promising indicator of the prospective development in the segment and thereby economic growth. It also indicates the growth in new-to-credit MSME borrowers, implying that MSMEs are increasingly seeking access to

TRANSUNION CIBIL-SIDBI REPORT

■ Total on-balance sheet credit exposure in India stood at ₹111.1 lakh crore as of Dec 2018, of which MSME credit accounts for ₹25.2 lakh crore

■ NPA rates have shown a gradual reduction, with NPAs in large segment falling from 20% in Jun 2018 to 19% in Dec 2018

■ Satish Pillai, MD-CEO, TransUnion CIBIL, said growth of this magnitude needs to be monitored carefully as rapid acceleration in debt build-up may indicate prospective stress in the system

bps and 260 bps improvement in lending to entities and individuals, respectively.

It is noteworthy that MSME lending — as measured by MSME loans outstanding divided by MSME GVA (gross value added) — has risen from 32.2 per cent in December 2013 to 47.6 per cent in December 2018, a landmark increase of 15.4 percentage points (pps). This growth has been driven by an increase of 5.8 pps in lending to entities and 9.7 pps in lending to individuals.

On the growth in lending intensity, Satish Pillai, MD and CEO, TransUnion CIBIL, said: "We have observed significant acceleration in lending in the past couple of years but growth of this magnitude needs to be monitored carefully as rapid acceleration in debt build-up may indicate prospective stress in the system. While lenders should monitor their portfolios constantly for loan stacking, leverage and debt build-up, the regulators must keep systemic risks in check."

Pillai also pushed for inclusion of alternative data sources in mainstream credit bureau database. "In order to enable system-wide faster and cheaper access to credit by MSMEs, credit information companies must be allowed to access trade credit data from TReDS (Trade Receivables Discounting System) and also enable mandatory reporting by banks of factoring/bill discounting to bureaus. Inclusion of alternative data in mainstream bureau database will not only help drive access to finance for more deserving MSMEs but also enable improved monitoring and surveillance of credit-risk," he said.

finance from the credit sector. These trends bode well for the 'ease of doing business' in India as more and more MSMEs seek credit from the regulated market and this also helps foster financial inclusion." The report said there has been landmark improvement in lending intensity observed on the MSME credit. It added that over the last five years, aggregate MSME lending as a proportion of the GDP has risen by around 400 basis points (bps) to reach 13.6 per cent in December 2018 from 9.6 per cent in December 2013. The rapid increase in MSME lending intensity has been driven by a 130

RESERVE BANK OF INDIA RELEASES DATA FOR FISCAL 2019

Bank credit grows by 13.24%, deposits up 10.03% in FY19

ENSE ECONOMIC BUREAU MUMBAI, APRIL 11

WITH CREDIT demand picking up, banks closed fiscal 2019 with loan offtake crossing the double digits for the second year in row.

According to data released by the Reserve Bank of India on Thursday, bank credit rose 13.24 per cent to Rs 97.67 lakh crore for the fortnight to March 29, 2019 from Rs 86.25 lakh crore in the same period last year.

Deposits grew by 10.03 per cent to Rs 125.72 lakh crore during the same period as against Rs 114.26 lakh crore in March 2018.

Bank credit had picked up by 10.31 per cent during the fiscal ended March 2018. This is the second consecutive double-digit credit growth after the credit growth had declined to 5 per cent in FY17 at Rs 78.41 lakh crore,

NON-FOOD BANK CREDIT, SERVICES LOANS UP

■ Bank credit rose to ₹97.67 lakh crore for the fortnight to March 29, 2019 from ₹86.25 lakh crore in the year-ago period; deposits were at ₹125.72 lakh crore during the same period as against ₹114.26 lakh crore

■ Non-food bank credit increased by 13.2% in Feb 2019, as against a rise of 9.8% in the year-ago period; loans to services sector grew 23.7% growth in Feb, as against 14.2% in the same month last year

which was the lowest since 1963.

In the year-ago fortnight, deposits were at Rs 114.26 lakh crore and advances at Rs 86.25 lakh crore, according to the RBI data.

In FY17, aggregate deposits in the banking system grew a mere 6.7 per cent, while credit grew at a lower rate.

During November-December 2016, banks received a whopping Rs 15.28 lakh crore as people deposited high denomination cur-

rency notes that were withdrawn from circulation on November 8. As a result, aggregate deposits in the fiscal ended March 2017 grew 15.8 per cent to Rs 108 lakh crore.

In the previous fortnight to March 15, 2019, credit demand had grown by 14.46 per cent to Rs 95.53 lakh crore while deposits rose by 10.03 per cent to Rs 122.26 lakh crore, stated the RBI data.

On a year-on-year basis, non-food bank credit increased by 13.2

per cent in February 2019, as against an increase of 9.8 per cent in the year-ago period.

Loans to the services sector almost doubled with a 23.7 per cent growth in February, compared to 14.2 per cent in the same month last year.

Advances to agriculture and allied activities increased by 7.5 per cent in February compared to a rise of 9 per cent in February 2018. Credit to the industry rose by 5.6 per cent in February, up from an increase of 1 per cent in February 2018.

Credit to the infrastructure, chemical and chemical products, and all engineering sectors accelerated. However, credit growth to basic metal and metal products, textiles, and food processing decelerated/contracted. Personal loans rose 16.7 per cent in February down from 20.4 per cent in February 2018.

FM discusses economic reforms with investors in US

PRES TRUST OF INDIA NEW YORK, APRIL 11

FINANCE MINISTER Arun Jaitley has discussed India's economic reforms and outlook for the future as he addressed investors here.

India's Consulate General in New York tweeted Wednesday that since his arrival in the city, Jaitley "held a series of roundtables with the investors community of New York on India's economic reforms and vision for the future. Investors are bullish on

India." Jaitley is visiting the US to attend the IMF-World Bank meeting in Washington from April 12 to 14. Jaitley addressed an interactive session jointly organized by industry chamber FICCI, the Indian Consulate in New York and the US-India Strategic Partnership Forum.

"When we do reforms, we have to make sure that benefit reaches last man in the queue," a tweet by FICCI said, citing the Finance Minister as saying at the interactive session, attended by MasterCard CEO Ajay Banga

among other top business executives and investors.

Another tweet by FICCI said that Jaitley told the interactive session that "getting bank accounts for all, providing 99% of population with access to toilets, modern approach of cooking, rural road connectivity, house for all were part of the efforts towards social reforms."

"Over the next five years, reducing poverty, providing best infrastructure, new cities to manage migration, increasing participation of women, will be the focus,"

another tweet by FICCI said, citing Jaitley as saying during the interactive session.

Earlier, Jaitley addressed investors at a roundtable on 'India's reforms & economic outlook' organized by the US-India Business Council, industry chamber CII and US stock exchange Nasdaq. Accompanying Jaitley are top officials from the Ministry of Finance, including Economic Affairs Secretary Subhash Chandra Garg.

RBI governor Shaktikanta Das is also slated to attend the IMF-World Bank meetings.

Oil prices slip nearly 2% as OPEC mulls output hike, US stocks build

REUTERS NEW YORK, APRIL 11

OIL PRICES fell nearly 2 per cent on Thursday after sources said that OPEC may raise output from July if Venezuelan and Iranian supplies fall further and prices keep rallying. Rising US crude stockpiles also dragged US futures down by more than \$1 a barrel. West Texas Intermediate (WTI) crude fell \$1.16 to \$63.45 a barrel by 1634 GMT.

Global benchmark Brent was at \$70.72 a barrel, down \$1.01 from its last close.

"Now there is a suggestion that OPEC may surprise us and raise production pre-emptively if we get a price spike," said Phil Flynn, an analyst at Price Futures Group in Chicago.

The Organization of the Petroleum Exporting Countries may raise oil output from July if Venezuelan and Iranian supply drops further and prices keep rallying, because extending production cuts with Russia and other allies could overtighten the market, sources familiar with the

matter said. Venezuelan crude production has dropped below 1 million barrels per day (bpd) due to US sanctions, the International Energy Agency said on Thursday, even lower than the 960,000 bpd OPEC reported on Wednesday.

Iranian supply could fall further after May if, as many expect, Washington tightens its sanctions against Tehran.

OPEC and its allies led by Russia are due to meet in Vienna on June 25-26 to set their policy.

Overall output from OPEC, which has agreed with allies to withhold 1.2 million bpd of crude from the market since the start of 2019, fell 550,000 bpd in March to 30.1 million bpd, the IEA said.

The agency, which coordinates the energy policies of developed nations, saw oil stocks in industrialised countries fall in February by 21.7 million barrels, putting inventories 16 million barrels above their five-year average. Market concerns that OPEC could increase output compounded worries that US crude production is rising.

Wrong data given to avoid transmission charges: CERC

ENSE ECONOMIC BUREAU MUMBAI, APRIL 11

STATES HAVE been providing misleading data to save on transmission charges of electricity, a report published by the Central Electricity Regulatory Commission (CERC) pointed out.

A CERC task force formed to review the methodology of computing charges for using inter-state transmission systems (ISTS) pointed out that under the existing system, states have been manipulating their load and power generation projections to reduce ISTS charges. However, the report did not provide any figure on the estimated savings that states might have made by producing faulty data.

Under the current 'point of connection' (PoC) mechanism, the allocation of such charges is decided in advance based on projected load/generation for next quarter. "It has been observed that different figures are provided for load/generation for the load generation balance report (LGBR) and for PoC," the CERC report read.

It is the responsibility of pay-

A CERC task force has pointed out that states have been manipulating their load and power generation projections to reduce inter-state transmission systems charges

ers of ISTS charges to project their load/generation, and there is almost no penalty for wrong projections. The LGBR is an annual report covering the month-wise anticipated energy requirement and peak demand.

Cash-strapped distribution companies (discoms) are finding it difficult to cope with rising power costs. Monthly transmission charges have increased by 52 per cent from rates in Q1FY17 to Rs 2,888 crore in Q3FY19. On top of that, the Ujjwal Discom Assurance Yojana (UDAY) scheme has placed serious restraint on their fiscal flexibility.

As highlighted by private power generators, discoms often

press for renegotiating terms of power purchase agreements to find ways to forego penalties and late payment surcharges.

Poor data-management of the state electricity departments has been a longstanding issue. An earlier report on the UDAY scheme prepared by KPMG had pointed out that the Union Power Ministry agencies tend to struggle to reconcile data received from the state-owned discoms. Experts have pointed out that states do not follow uniform formulae and definitions of key parameters and manual data management leads to errors and delays.

Inadequate governance, as well as lack of accountability and transparency at discoms and dearth of large data-management skills have also been attributed to inferior data quality.

For its UDAY portal, the Power Ministry has already cautioned readers to be careful in interpreting the data. The figures are derived from the interim provisional data furnished by the states, which keeps on changing. Power Finance Corporation has not publicly furnished actual audited data on discom finances after FY16. FE

French court finds Monsanto liable for farmer's sickness

REUTERS PARIS/LYON, APRIL 11

A FRENCH court has ruled that Monsanto was liable for the sickness of a farmer who inhaled one of its weedkillers, in another legal setback for the Bayer-owned business over health claims.

In the latest stage of a decade-long legal tussle, the appeals court in Lyon on Thursday found in favour of farmer Paul Francois' claim that Monsanto's Lasso weedkiller had made him sick and that the product's labelling had been inadequate.

Francois, 55, says he suffered neurological problems, including memory loss, fainting and headaches, after accidentally inhaling Lasso in 2004 while working on his farm.

"Mr Francois justifiably concludes that the product, due to its inadequate labelling that did not respect applicable regulations, did not offer the level of safety he could legitimately expect," the court said in its ruling. The latest verdict, however,

did not determine compensation for the farmer, which will now be considered by another court in Lyon.

Francois is seeking about 1 million euros (\$1.1 million) in damages.

Bayer, which acquired Monsanto in a \$63 billion deal last year, said it was considering its legal options, including an appeal before France's highest court.

The German chemicals group added that crop-protection products "do not pose a risk for human health if they are used according to the terms of use set out in their regulatory approval".

Mr Francois had won rulings against Monsanto in 2012 and 2015 before France's top court overturned the decisions and ordered the new hearing in Lyon.

"We are all happy to have won but it came at a heavy price," Francois told reporters in Paris.

"It's a big sigh of relief. It's been 12 years of fighting, 12 years during which I had to put my whole life on hold."

BRIEFLY

RVNL shares make tepid debut; end flat

New Delhi: Shares of Rail Vikas Nigam Ltd (RVNL) made a tepid debut and closed flat against the issue price of Rs 19. The scrip had opened the day flat at Rs 19 on BSE and ended at Rs 19.05, up 0.26 per cent. At NSE too, shares closed at Rs 19.05. PTI

IDBI Bank lowers lending rates by 5 bps

Mumbai: LIC-owned IDBI Bank has reduced its lending rates by 5 basis points for most of the tenors, effective Friday. PTI

India Inc foreign investment up 18% in March

New Delhi: Foreign investment of Indian companies grew 18 per cent to \$2.69 billion in March as compared to the year-ago period, according to an RBI data. PTI

Rupee rises for third day, up 19 paise

Mumbai: The rupee on Thursday climbed 19 paise to close at 68.92 against the US dollar. The BSE Sensex inched up 21.66 points to close at 38,607.01. The NSE Nifty settled 12.40 points higher. PTI

US jobless claims lowest since 1969

Washington: The number of Americans filing applications for unemployment benefits dropped to a 49-1/2-year low last week, pointing to a labour market strength. REUTERS

Maruti hikes prices of Alto K10

New Delhi: Maruti Suzuki India (MSI) has hiked the prices of Alto K10 across the country following addition of safety features. It will be costlier by up to Rs 23,000 in Delhi-NCR. PTI

9 states to raise ₹9,800 cr via securities

Mumbai: Nine state governments will raise Rs 9,800 crore by selling securities on April 15, the Reserve Bank said Thursday. PTI

Advertisement for Container Corporation of India Ltd. (COI) featuring a tender notice for E-Tendering Mode Only. Includes details on tendering process, contact information, and website links.

Advertisement for Indian Institute of Science Education and Research (IISER) Thiruvananthapuram. Features a notice inviting e-tenders for liquid helium supply and contact details for the registrar.

Advertisement for Indian Bank, a leading public sector bank, regarding a tender for procurement of DLP (Data Leak Prevention) solution with required hardware/software at Data Centre (Chennai) and DR Site (Hyderabad).

Advertisement for ONGC (Oil and Natural Gas Corporation) inviting global expression of interest (EOI) for integrated services under LSTK contract from drilling to completion of three HPHT wells in Bantumilli South Field.

Advertisement for the Government of India, Department of Space, regarding the ISRO Propulsion Complex. Includes a table of tenders for various equipment like Standalone Integrated Data Acquisition System, Dust Cap for Connectors, A286 Fastener, and Pressure Regulators.

Airbnb checks into OYO with \$75 million investment

ASMITA DEY NEW DELHI, APRIL 11

US-BASED HOME-SHARING firm Airbnb has invested around \$75 million (Rs 516 crore) in SoftBank-backed hospitality company OYO, documents sourced from business signals platform paper.vc showed. The investment brings to an end OYO's nearly \$1.1-billion Series E funding round that also earlier saw participation from SoftBank Vision Fund, China's Didi Chuxing and Singapore's Grab. The Airbnb investment was made at the same \$5-billion valuation at which OYO raised \$800 million, led by Vision Fund and \$100 million each from Grab and Didi Chuxing.

Analysts said the latest investment by Airbnb will create synergies between the two in the sense that the former will get access to OYO's 173,000 rooms spread across 259 cities. As far as OYO is concerned, it will get access to Airbnb's large traveller base which is spread globally. It is also expected that this partnership will lead to synergies in China where OYO has expanded and is operating in 280 cities with 5,000 hotels and 260,000 rooms. FE

India needs to bolster level of capitalisation of govt-owned banks: IMF

LALIT K JHA WASHINGTON, APRIL 11

NOTING THAT the level of non-performing loans in India remains high, the International Monetary Fund (IMF) 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 on Wednesday that bolstering the level of capitalisation was among 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 bank-

ing 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 (NPAs) 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 had said that 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.

Meanwhile, Paolo Mauro, Deputy Director of IMF's Fiscal Affairs Department, said there is a lot of scope in India 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. PTI