

19 ECONOMY

PSBs TURN OUT TO BE MORE EFFICIENT THAN PRIVATE SECTOR PEERS

Large banks more efficient, scope for more mergers in the sector: RBI study

ENS ECONOMIC BUREAU
MUMBAI, APRIL 13

LARGE BANKS tended to be more efficient than small banks as they could reap the benefits of economies of scale, providing an additional rationale for recent mergers and further avenues of consolidation in the banking sector, a Reserve Bank of India study has said.

"It may also be the case that small banks have limited business operations," the study said. "Our results point to larger banks being labour cost efficient relative to their smaller counterparts as the former can reap the benefits of economies of scale. This finding provides an additional rationale for recent mergers of banks, both amongst PSU banks and private banks and suggests that further avenues of consolidation in the banking sphere may be explored," the RBI study on 'Labour Cost Efficiency of Indian Banks' has said.

It said public sector banks (PSBs) turn out to be more efficient than private sector peers,

EXPLAINED Larger banks can reap benefits of economies of scale

THE CENTRAL bank says larger banks are labour cost efficient relative to their smaller counterparts as the former can reap the benefits of economies of scale. The RBI report's finding provides an additional rationale for recent mergers of banks, both amongst PSU banks and private banks and suggests that further avenues of consolidation in the banking sphere.

There's scope for more consolidation in the sector after the recent mergers of Dena Bank and Vijaya Bank with Bank of Baroda, Capital First merger with IDFC Bank and Indiabulls Housing Finance merger with Lakshmi Vilas Bank.

reflecting deceleration in employment growth as also cost cutting through innovative techniques. "Furthermore, large banks are found to be more efficient than small banks as they can reap economies of scale," it said.

The number of large banks were 39 and 42 in 2005 and 2018, respectively, while for small banks the numbers corre-

sponded to 37 and 42. In all the years, large banks were found to be more efficient than small banks. "Among large banks, PSBs initially had most number of banks with efficiency score of 1. After 2009, however, foreign banks had the largest number of banks on the efficiency frontier. In the case of small banks, foreign banks consistently remained the most efficient bank

group throughout the period of study. This result is consistent with the results for bank-group wise analysis, which showed that foreign banks remain the most efficient banks amongst all the bank groups," it said.

"Our findings show that during the period 2005-2018 the labour cost efficiency of Indian banks moderated across all bank groups. The deterioration was especially marked during 2011-2016—a period that was characterized by severe stress in the banking sector — an exogenous factor not controlled by the labour cost dynamic," the RBI study said.

The RBI analysis suggests that PSBs scored relatively better than other bank groups. This has important policy implications as it demonstrates that labour cost efficiencies can be augmented by rationalising work processes. "This opens up the avenue of rationalisation in work flow by harnessing new technologies. In this context, payments banks, which are expected to leverage technology, could offer a laboratory experiment and it would be interest-

ing to study their labour cost efficiency once data becomes available," it said.

With 144,952 branches of 159 scheduled commercial banks (SCBs) catering to the needs of about 1.3 billion people, the Indian banking system is one of the largest in the world. Over the years, its business model has remained primarily brick-and-mortar based although in recent years, the spread of digital modes of transaction has increased significantly, the RBI said.

This transformation has become pronounced since 2015 when the number of bank branches began to decelerate. "As a corollary, employment growth in the banking sector has also decelerated, which is in line with the international trend. Paradoxically, the per employee output of the banking system in terms of deposits, loans and advances, investments and non-interest income has increased during the period, suggesting that labour cost efficiency of the banking system has improved," the RBI study said.

AUTOMOBILE WATCH

JAPAN SC REJECTS GHOSN APPEAL

Tokyo: Japan's Supreme Court has rejected an appeal by lawyers for 65-year-old former auto tycoon Carlos Ghosn against his detention, local media said Saturday, dashing the former Nissan boss's hopes for an early release. PTI

CBDT outlines Apr-Jun action plan, sets June 30 deadline to dispose of demonetisation cases

ENS ECONOMIC BUREAU
NEW DELHI, APRIL 13

OUTLINING THE interim action plan for April-June to its field formations, the Central Board of Direct Taxes (CBDT) has set a June 30 deadline for disposal of all cases related to demonetisation along with directing issuance of notices to non-filers of statement of financial transactions (SFT) of high-value transactions under Section 285BA of Income-tax Act by May 15.

Under section 285BA of the Income-tax Act, specified persons including banks, mutual funds, institutions issuing bonds, registrars and sub-registrars are required to record and report high-value financial transactions of individuals and have to file the Annual Information Report, containing details of high-value transactions, by the specified time in following year.

A June 30 deadline has also been set for filing of references before NCLT in cases of 'struck off' companies. The CBDT has already issued directions to tax offices across the country to probe financial transactions of about three lakh firms, de-registered by the government for their dubi-

The CBDT has already issued directions to tax offices across the country to probe financial transactions of about three lakh firms, de-registered by the government for their dubious financial credentials, for tax evasion and money laundering

ous financial credentials, for tax evasion and money laundering, especially during demonetisation and bring under their ambit the time period (over the last two years) when these companies were struck off from the records of the Ministry of Corporate Affairs (MCA).

The field officers have also been asked to identify cases of violation of cash payments of loans of Rs 5 lakh and above, as per Section 269SS, for only financial years of 2016-17 and 2017-18 by June 30. As per Section 269SS of Income-tax Act, a person cannot accept cash loan or deposit of Rs. 20,000 or more from another person. Also, the Board has asked its field officers to identify cases of undisclosed income accruing from capital gains on sale of land or real estate as per Section 50C and income from other sources as per Section 56(2)(vii) and file the reports by June 30.

It has also directed Chief

Commissioners to allow disposal of appeals of more than Rs 10 lakh if a Commissioner (Appeals) does not have adequate number of appeals up-to Rs 10 lakh, so as to meet the target of 150 appeals by June 30. For verification of non-PAN or demonetisation/FATCA/CRS/Special Pilot Project related data, the CBDT has set a target of verification of minimum 8 cases per month for each Deputy Director or Assistant Director of Income-tax and 17 cases per month for each Income Tax Office, the action plan stated.

The Board has set the June 30 deadline for disposal of assessments in at least 25 cases (20 in international taxation) per assessing officer of limited scrutiny, reopened assessment under Section 147 and demonetisation related cases. It has asked the officers to complete these assessments through the e-proceeding facility.

BRIEFLY

Suven gets nod to buy assets of Rising Pharma

New Delhi: Suven Life Sciences Saturday said it has received approval from a US bankruptcy court to buy assets of Rising Pharmaceuticals through its joint venture partner Shore Suven Pharma Inc.

Dr Reddy's acquires ANDAs portfolio in US

New Delhi: Dr Reddy's Laboratories Saturday said it has acquired a portfolio of 42 abbreviated new drug applications (ANDAs) in the US. PTI

JD.com boss criticises 'slackers'

Shanghai: Richard Liu, founder of JD.com Inc, has weighed in on an ongoing debate about the Chinese tech industry's gruelling overtime work culture, lamenting that years of growth had increased the number of "slackers" in his firm who are not his "brothers." Liu's comments, are the latest contribution to a growing discussion about work-life balance in the tech industry as the sector slows. Alibaba Group founder Jack Ma also weighed in on Friday, telling that the opportunity to work such hours was a "blessing". REUTERS

Russia, OPEC may ditch oil deal

REUTERS
MOSCOW, APRIL 13

RUSSIA AND OPEC may decide to boost production to fight for market share with the United States but this would push oil prices as low as \$40 per barrel, TASS news agency cited Russia's Finance Minister Anton Siluanov as saying on Saturday.

"There is a dilemma. What should we do with OPEC: should we lose the market, which is being occupied by the Americans, or quit the deal?" Anton Siluanov said, TASS reported. "If the deal is abandoned) the oil prices will go down, then the new investments will shrink, American output will be lower, because the production cost for shale oil is higher than for traditional output."

FPI inflows continue in April

After registering record inflows by foreign portfolio investors in March, the month of April is also witnessing investments by FPIs despite election uncertainties, as per figures compiled by NSDL

₹13,309 cr
investments in equity by FPIs in April so far

₹33,981 cr
record FPI inflows into equity in March this year

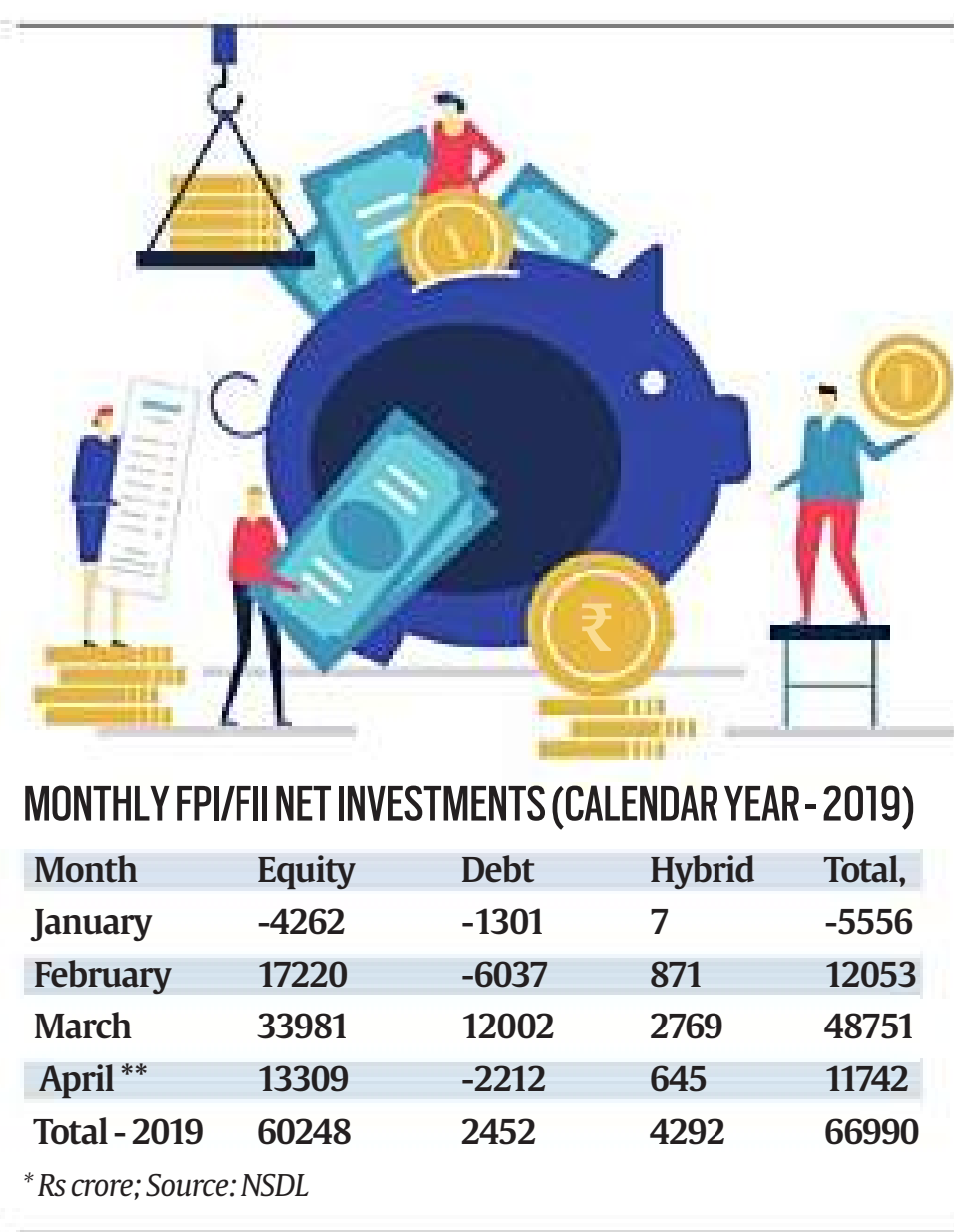
₹60,248 cr
net investment by FPIs in equity in 2019 so far

₹2,212 cr
FPI outflow from debt market in April so far

₹33,014 cr
FPI outflows from equity market in 2018

₹51,252 cr
net investments in equity by FPIs in 2017

DEBT WORRIES: Recent events involving delay and deferment of redemptions proceeds of Fixed Maturity Plans of some fund houses due to the apparent delay in payments by Essel Group companies have reignited the issue of risks in the debt market

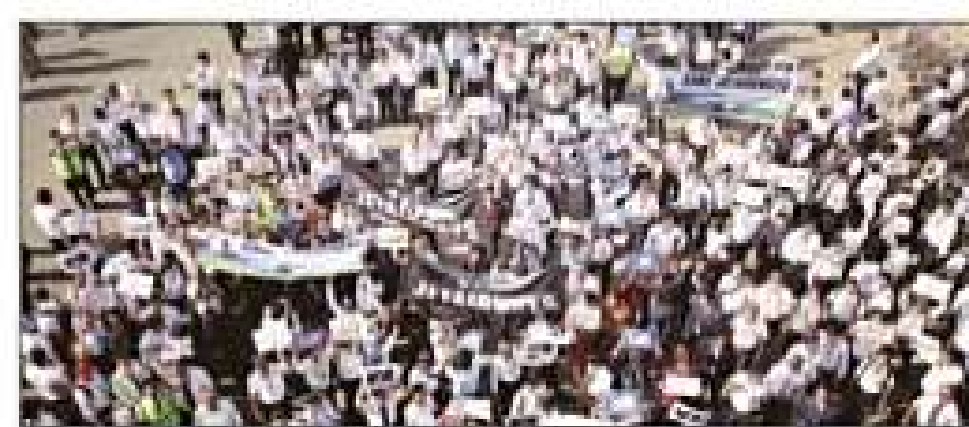


Jet staff protest over pay delay

PRESSTRUST OF INDIA
NEW DELHI, APRIL 13

EMPLOYEES OF cash-strapped Jet Airways Saturday protested outside Terminal 3 of the Indira Gandhi International Airport here seeking release of pending salaries.

The beleaguered airline, which is flying just six-seven aircraft on Saturday, has asked its lenders to grant some "interim funding". Its employees are expecting to be paid their pending salaries once the fresh funding comes through. Employees of Jet Airways gathered outside Terminal 3 in their uniform for a silent protest on Saturday afternoon. They carried banners that read "Save Jet Airways, Save our



Jet Airways employees during their protest for pending salary at the airport in New Delhi on Saturday. Praveen Khanna

future" and "Hear our cry, Let 9W fly". 9W is code for Jet flights, just like 6E is for IndiGo flights.

On Friday, Jet Airways employees took out a silent march in Mumbai. Civil Aviation Secretary Pradeep Singh Kharola had earlier said that the airline would fly just

6-7 aircraft on Saturday and Sunday. At its peak, the airline flew a 119-aircraft fleet.

On Monday, the lenders - led by SBI - would again meet the management of Jet Airways which will present a plan to use the "interim funding", if granted.

US wants World Bank to give more support to poor nations

ASSOCIATED PRESS
WASHINGTON, APRIL 13

THE WORLD Bank, a major source of development lending, needs to make more progress in shifting its loans away from fast-growing economies such as China and devoting more support to the world's poorest nations, Treasury Secretary Steven Mnuchin said Saturday.

The Trump administration was encouraged that the bank's private sector lending operation wanted to step up support for nations "affected by fragility, conflict and violence," Mnuchin said as the spring meetings of the bank and the International Monetary Fund wrapped up in Washington.

The World Bank, he said, needed to make sure that such support was aimed at boosting "private investments that are growth-enhancing and poverty-reducing." The US wants to see "additional progress" in shifting more World Bank loans to poorer countries, he said.

The lending institution is a major source of development assistance for projects such as building dams for energy transmission. Mnuchin said investments in energy production represented a critical need to aid development in poorer nations.

The US has succeeded in installing David Malpass, a longtime World Bank critic, as the bank's new president, although President Donald Trump said in a published interview that he had considered his daughter Ivanka, a White House adviser, for the job.

G-20 chiefs: World economic growth to revive later this year

ASSOCIATED PRESS
WASHINGTON, APRIL 13

THE GLOBAL economy is likely to pull out of a brief growth slump later this year — with a little help from the world's central banks and from US and Chinese trade negotiators.

Global finance leaders gathered from the spring meetings of the International Monetary Fund and the World Bank agree that the global economy has lost momentum this year. But they expect growth to pick up in the second half of 2019, as central bankers ease up on interest rates.

Still, a trade standoff between the United States and China threatens to dim the economic outlook.

"We must be mindful of escalation of trade tensions," Japanese Finance Minister Taro Aso told reporters Friday. Japan holds the chairmanship of the Group of 20 major economies. The G-20 on Friday said that world economic growth sputtered late last year and early this year because of heightened trade tensions, turbulent financial markets and rising interest rates.

Das: Monetary economics in emerging markets needs rethink

LALIT K JHA
WASHINGTON, APRIL 13

OBSERVING THAT the global financial crisis has exposed several limitations of conventional and unconventional monetary policy tools, Reserve Bank of India (RBI) Governor Shaktikanta Das on Friday said monetary economics in emerging markets needs a rethink.

This includes challenging the conventional wisdom of modern central banks to hike or reduce their interest rates by 25 basis points or multiples thereof, Das said in a special address delivered on the sidelines of the annual Spring Meetings of the International Monetary Fund and World Bank. Highly appreciated by the audience for his call for out-of-the-box thinking to address monetary policy challenges of the 21st century, Das said the unconventional monetary policies of advanced economies have resulted in "risks and spillovers" for the emerging markets. In his speech titled "Global Risks and Policy Challenges Facing Emerging Market Economies", Das observed that the global financial crisis has exposed several limitations of conventional and unconventional monetary policy tools.

In despair, some have turned to the heterodox evolution of

ideas that are being practiced as modern monetary theory, he noted. In the end, monetary policy must touch the real economy, spur investments, and maintain monetary and financial stability, he asserted.

The time has come to think out of the box, including by challenging the conventional wisdom, he told the packed auditorium. Typically, modern central banks with interest rates as their main instrument move in baby steps — 25 basis points or multiples thereof — and announce a stance of tightening, neutrality or accommodation to guide the markets and the public on the likely future course of policy, he said.

"One thought that comes to my mind is that if the unit of 25

basis points is not sacrosanct and just a convention, monetary policy can be well served by calibrating the size of the policy rate to the dynamics of the situation and the size of the change itself can convey the stance of policy," the RBI Governor said.

For instance, if easing of monetary policy is required but the central bank prefers to be cautious in its accommodation, a 10 basis points reduction in the policy rate would perhaps communicate the intent of authorities more clearly than two separate moves — one on the policy rate, wasting 15 basis points of valuable rate action to rounding off, and the other on the stance, which in a sense binds future policy action to a pre-committed direction, he said. PTI



International Monetary and Financial Committee meeting, at the World Bank/IMF Spring Meetings in Washington on Saturday. AP

EU 'ready to respond' to US in Airbus-Boeing row

PRESSTRUST OF INDIA
WASHINGTON, APRIL 13

FRENCH FINANCE Minister Bruno Le Maire has warned that Europe was ready to hit back at any US tariffs over Airbus subsidies as he pleaded for an "amicable solution" to the long-running dispute.

"If we were to be hit again by unjustified and unjustifiable US sanctions, Europe would be ready to respond in a united and strong way," the minister said after his meeting with his US counterpart Steven Mnuchin on Friday. "All this would be bad for growth and bad for American and European prosperity," he said at a news conference on the sidelines of the spring meetings of the International Monetary Fund and World Bank.

"We must avoid this... On the basis of the WTO's conclusions, it seems to me that the voice of wisdom is to reach an amicable agreement between the United States and Europe on a final settlement of the Airbus-Boeing case," he said.