

14 ECONOMY

BUSINESS CORRESPONDENTS COMPLAIN ABOUT REDUCTION IN FEES

Grey areas stymie financial inclusion, raise viability concerns for BCs

Many banks yet to offer AEPS, RuPay cards not activated, banks not keen on small retail money

GEORGE MATHEW
MUMBAI, MAY 5

BANKING AGENTS and business correspondents (BCs) operating in the Direct Benefit Transfer (DBT) scheme and other banking services are finding the going tough due to certain grey areas in the implementation of some of the services.

Taking up the issue with the Department of Financial Services (DFS) and NITI Aayog, BCs have said the DBT of the government is not reaching all the citizens and many banks have kept away from Aadhaar enabled payment system (AEPS). "All the banks receiving DBT from the government in customer accounts are not participating in the AEPS settlement. This restricts access of DBT money to the citizen," said a banking source. On the other hand, AEPS device subsidy being offered by NABARD is not being availed by the banks, thereby leaving the banks to purchase the AEPS devices without subsidy. "This makes government announcements irrelevant and many BC agents can't afford the device cost," said Anand Kumar Bajaj, founder of PayNearby, a fintech company in the banking sector. In separate meetings held by

BCs ARE RETAIL AGENTS ENGAGED BY BANKS

■ Business Correspondents, authorised by the Reserve Bank of India, are retail agents engaged by banks for providing banking services at locations – mostly remote areas – other than a bank branch or ATM

■ In March this year, the National Payments

Corporation of India reached a "milestone" by issuing over 64 million RuPay Global cards

■ NPCI had reported a volume of 695 million involving a value of Rs 80,823 crore in RuPay card usage at POS (point-of-sale) terminals in 2018-19

Niti Aayog and DFS, BCs complained to the government about the reduction in fees. While 3.15 per cent fee was proposed by the government to be paid to BC agents for facilitating DBT disbursement to the citizen, currently only 0.15 per cent is being paid to BC agents, making the channel unviable, they have said. Business Correspondents, authorised by the Reserve Bank of India, are retail agents engaged by banks for providing banking services at locations – mostly remote areas – other than a bank branch or ATM. BCs enable a bank to provide its limited range of banking services at low cost, thus promoting financial inclusion. Another complaint of the

money is not coming into the formal banking sector. As granular savings is costly for the banks to mobilise from each household, banks generally don't take interest in such small savings. Serving them is further costly due to the unsaid rule of sending a physical account statement to the customer each month. Hence, banks are not taking much interest in offering recurring deposits of small ticket like Rs 100. "This money is going into unregulated and unscrupulous schemes," banking sources said.

In 2006, the RBI prohibited BC agents from offering services of more than one bank. "In those days, all processes were manual. A sponsor bank mostly offers only a couple of services through the BC agent network. This means, a BC opens multiple BC agent outlets at a high cost to offer services of multiple banks to customers or leaves them underserved," Bajaj said.

On top of this, even for a single service by a sponsor bank, if the sponsor bank the system is down due to some reason, the customers can't be serviced since back up is not allowed.

Further, onboarding a agents and customers by BCs has become unviable and risky due to manual work without eKYC. As per recent

directives of the RBI which says that authorised representative of a regulated entity can do KYC (know your customer) of customers, the banks are interpreting that the authorised representative is only the employee of the bank and only bank employees can do KYC. The RBI had earlier removed the distance criteria of setting up BC agent outlets beyond 30 kms. Even if a BC agent is set up in remote areas, the bank employee will need to travel there to do KYC. "BC agents are authorised to offer services of the bank to the customers, but for the purpose of KYC, they are an authorised person," said a representation to the government.

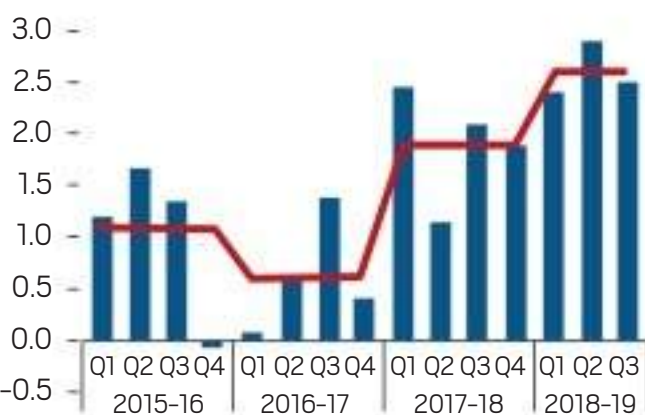
Though there's nil GST for serving Jan Dhan accounts and accounts in rural areas, while serving these accounts, the common IFSC code of centralised Core Banking System is used and hence identification of these accounts is not possible, thereby making the service to these accounts at BC agent outlet as violative of the government intent since GST is charged to all.

"Even though up to Rs 40 lakh is exempt from GST, poor agents earning Rs. 2,000 a month is also being impacted by the reverse charge mechanism. Thus the service is not viable," he said.

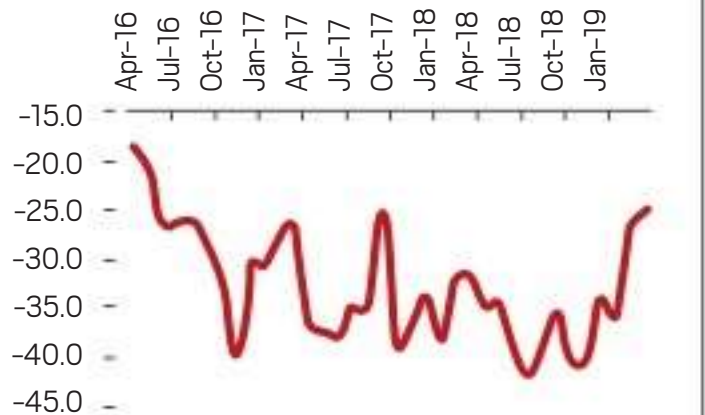
PRIVATE CONSUMPTION DECLINES

Current account deficit as percent of GDP improved in Q3 and is set to further improve in Q4 of 2018-19 as dip in imports has improved merchandise trade deficit

CURRENT ACCOUNT DEFICIT (AS % OF GDP)



NET MERCHANDISE EXPORT AS % OF MERCHANDISE IMPORT

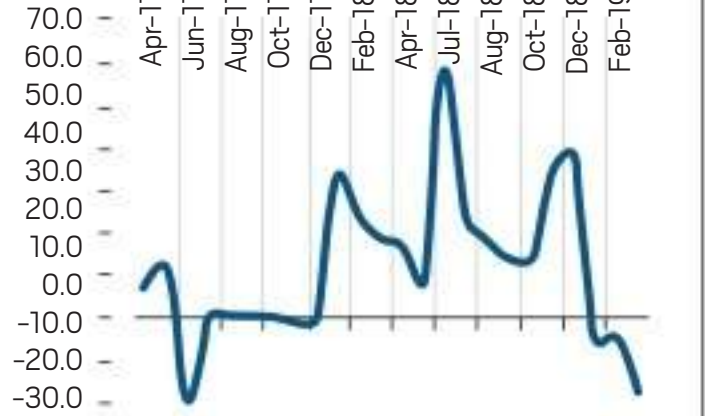


In line with declining real GDP growth, private consumption in Q4 of 2018-19 also declined as reflected in drop of growth of two-wheeler sales towards end of the year

PRIVATE CONSUMPTION EXPENDITURE GROWTH (%)



GROWTH OF NO. OF TWO WHEELER SALES (%)



Increasing forex reserve to help improve import cover

SANDEEP SINGH & SUNNY VERMA
NEW DELHI, MAY 5

CONTINUING STRONG inflow of funds by Foreign Portfolio Investors and Reserve bank of India's decision to conduct \$10 billion dollar-rupee buy-sell swap auction between March and April 2019 has lifted the foreign exchange reserve to a near one-year high of \$418.5 billion for the week ended April 26, 2019.

Rising forex reserve is expected to further increase the import cover for the country as the finance ministry has, in its monthly economic report for March 2019, pointed that it resulted into an increase in the import cover from 9-months in October 2018 to 11-months in February 2019.

According to the RBI data while the forex reserves stood at \$399.1 billion for the week ended February 22, it has risen sharply by over \$19 billion over the last two months.

The reserves of \$418.5 billion is the highest since May 4, 2018 when it stood at \$418.94. Since February 1, 2019 FPIs have pumped in a net of Rs 76,259 crore into Indian equity and debt markets. While a growing inflow of FPI money has helped the rupee withstand pressures on account of rising crude prices, following US decision to withdraw waivers for imports from Iran, it is also expected to improve the country's import cover further.

Finance ministry, in its latest Monthly Economic Report for March 2019 said Rising forex reserves led to an improvement in India's import cover. Forex reserves in terms of months of import cover has fallen from 14

FOREX RESERVES

Week Ended	Reserves in USD Billion
Jan 4	396.08
Jan 11	397.35
Jan 18	396.68
Jan 25	398.17
Feb 1	400.2
Feb 8	402.03
Feb 15	405.63
Feb 22	399.21
Mar 1	401.77
Mar 8	402.03
Mar 15	405.63
Mar 22	406.66
Mar 29	411.9
Apr 5	413.78
Apr 12	414.88
Apr 19	414.14
Apr 26	418.51

Source: RBI



months from April 2016 to 9 months in October 2018. However, the import cover has been increasing since then and was at around 11 months in February, 2019, said the report. It further added that a decline in imports would lead to improvement in current account deficit in fourth quarter of 2018-19 as forex reserves continue to rise.

While forex reserves had hit a high of \$426 billion in the week ended April 13, 2018, it witnessed a steady slide over the following

In abrupt turn, Trump vows higher US tariffs on China goods

REUTERS
WASHINGTON, MAY 5

US PRESIDENT Donald Trump on Sunday dramatically increased pressure on China to reach a long-sought trade deal by announcing he will markedly increase US tariffs on certain Chinese goods.

Trump had previously delayed the tariff increases earlier in the year, citing productive talks with China. Sunday's announcement casts into doubt previous expectations that China and the United States were closing in on a deal to end a months-long trade war that has slowed global growth and disrupted markets. Trump said on

Tariffs will increase to 25 per cent on Friday and more Chinese goods will face additional tariffs, Trump said on Twitter

Twitter that tariffs will increase to 25 per cent on Friday and that more Chinese goods will face additional tariffs. "The Trade Deal with China continues, but too slowly, as they attempt to renegotiate. No!" Trump tweeted.

US-China trade talks are due to resume this week, with Chinese Vice Premier Liu He due to travel to Washington. That follows talks

in April in Beijing Treasury Secretary Steven Mnuchin called "productive." As recently as Friday, Trump said talks with China was going well. Last week, industry sources said they believed the talks were in the endgame, and Mnuchin had said he hoped that the US negotiating team would soon be able to recommend a deal to Trump or tell him one could not be reached.

The administration has been insisting on a mechanism to ensure that China follows through on any promises to purchase more American goods. Officials have said both sides are expected to launch new enforcement staffs to police the agreement.

After 20 months, just 3 assets of RBI's IBC list close to resolution

ENSE ECONOMIC BUREAU
MUMBAI, MAY 5

OF THE over two dozen companies named by the Reserve Bank of India (RBI) in its second list of large non-performing assets (NPAs), only three — Ruchi Soya Industries, EPC Constructions and ARGL — have come close to being resolved successfully through the corporate insolvency resolution process (CIRP) since August 2017, when the list is known to have been sent to banks.

The second list involved companies with a total principal outstanding of Rs 1.28 lakh crore, according to a March 2018 report by CLSA. For these three accounts, their respective committees of creditors (CoCs) have selected successful bidders — Patanjali Ayurved for Ruchi Soya, Royale Partners for EPC Constructions and CarVal-Arcil for ARGL.

While three other accounts from the list have been resolved by bankers, the procedure involved was beyond the purview of the insolvency law. State Bank of India (SBI) withdrew its insolvency petition against Uttam Galva Steels in November 2018 after a settlement that involved a repayment of dues by

The second list involved companies with a total principal outstanding of Rs 1.28 lakh crore, as per a CLSA report

ArcelorMittal. Most banks have sold their exposure to Jayaswal Neco Industries to Bank of America through Assets Care & Reconstruction Enterprise (Acree). Exposures to Jai Balaji Industries have been sold to Edelweiss Asset Reconstruction Company (ARC) by at least four banks at a 63 per cent haircut, with a 15 per cent cash component being paid upfront.

Two assets have gone for liquidation. One of them is Coastal Projects, for which the liquidation order was passed in December 2018. The other, Shakti Bhog, is being liquidated under a Delhi High Court order in a different case and, as a result, was not admitted for insolvency. A few others, such as IVRCL and Unity Infra projects, may also be on their way to liquidation.

A bulk of the assets — 15 in all — have been admitted and are in various stages of the insolvency process. FE

Hindustan Unilever gets 2 new EDs

ENSE ECONOMIC BUREAU
MUMBAI, MAY 5

HINDUSTAN UNILEVER Ltd (HUL) has appointed Anuradha Razdan as Executive Director, Human Resources, and Vibhav Sanzgiri as Executive Director, Research and Development.

Both Anuradha and Sanzgiri will join HUL's Management Committee with effect from June 1, 2019. Razdan who returns to India after a successful stint in Unilever, succeeds BP Biddappa who is moving to a global role as VP-HR home care, new business models & firm of the future, Unilever. In addition to partnering global home care and the new businesses, Biddappa will lead the work enabling Unilever's transformation to a future ready, market winning organisation over the next decade.

Sanzgiri who joined HUL in 1997 has held various global and regional R&D roles in skin care and skin cleansing categories. With several patents to his name, Vibhav is a trained microbiologist and molecular biologist.

'Govt set to provide financial assistance to minority investors'

PRESS TRUST OF INDIA
NEW DELHI, MAY 5

IN A SIGNIFICANT move, the government is readying a scheme to provide financial assistance to minority investors filing class action lawsuits under the companies law, a senior official said.

Working on ways to further bolster measures to protect the interest of investors, the corporate affairs ministry would also be encouraging investors to resort to

class action suits. Under Section 245 of the Companies Act, investors can file a class action suit in case they feel that management or conduct of the affairs of a company are prejudicial to their interests. The concept of the class action suit, that provides an option for investors to seek remedy as a group, is well known in Western countries. "We are looking at class action suits. We will be soon coming out with a scheme for providing financial assistance to minority investors to file class action by

using the IEPF (Investor Education and Protection Fund).

"The IEPF will introduce a scheme for reimbursing legal expenses incurred on class action," Corporate Affairs Secretary Injeti Srinivas told PTI in an interview.

The Investor Education and Protection Fund (IEPF) is managed by the IEPF Authority, which comes under the ministry.

The IEPF's accumulated corpus is around Rs 4,138 crore, according to an official statement issued last month.

Buffett gives new hint about successor

PRESS TRUST OF INDIA
OMAHA, MAY 5

BILLIONAIRE WARREN Buffett Buffett on Saturday gave a clue on who might succeed him to run his Berkshire Hathaway empire, but did not completely reveal his hand.

Buffett, 88, was pressed by questions — each greeted with a torrent of applause — about who would succeed him.

Without answering directly, Buffett said Gregory Able, 57, and Ajit Jain, 67 — both promoted last year to the board of directors — would in the near future join him and long-time business partner Charlie Munger, 95, on the stage to answer shareholder questions.

Meanwhile, Munger said Saturday the two are "ashamed" of not having invested in Google, which has become one of the world's most

valuable companies.

Buffett's Berkshire Hathaway empire, of which Munger is vice president, recently took a stake in Amazon and has a \$40 billion stake in Apple, but has generally steered clear of the technology sector.

"We are ashamed," Munger, 95, told a shareholder at the annual Berkshire meeting in Omaha, when asked about the absence of an investment in Google.

CII: FAME needs to be supplemented to boost EV adoption

PRESS TRUST OF INDIA
NEW DELHI, MAY 5

POLICIES LIKE FAME need to be supplemented with measures such as domestic manufacturing of vehicles, batteries and components to boost mass adoption of electric vehicles by 2030, industry body CII said Sunday.

Quoting a study by the Centre, the chamber said India can save 64 per cent of anticipated road-based mobility-related energy demand and 37 per cent of carbon emissions in 2030 by pursuing a shared, electric, and connected mobility future.

Measures like market creation and adoption, domestic manufacturing of vehicles, components and batteries, strategic sourcing of key raw material and skill development in India are needed to support policies like FAME to embrace mass adoption of electric vehicles by 2030, it said.