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GROSS NPAs UNDER MUDRA AT ₹16,480.87 CR, AS AGAINST ₹9,769 CR IN FY18

MUDRA bad loans rise in FY19, even as NPAs decline across banking system

MUDRA NPAs at 5.28% of total disbursements in FY19, as against 3.96% in preceding fiscal

GEORGE MATHEW
MUMBAI, JUNE 23

THE GOVERNMENT'S ambitious project to finance small and micro borrowers has witnessed a surge in bad loans at a time when the system-wide non-performing assets (NPAs) have started showing signs of a decline. Gross NPAs under MUDRA, or Micro Units Development and Refinance Agency Ltd, rose by 68.7 per cent to Rs 16,480.87 crore for the financial year ended March 2019 from Rs 9,769 crore a year-ago, MUDRA said in an RTI reply.

MUDRA NPAs work out to 5.28 per cent of the total disbursements of Rs 311,811 crore as of March 2019, when compared to 3.96 per cent of total disbursements of Rs 246,437 crore in the previous year, as per MUDRA's figures. NPAs were Rs 8,501.68 crore in 2016-17. Of the total disbursements, as much as 41.42 per cent, or Rs 129,153 crore loans, are taken by women. In the financial year 2018-19, 3.706 crore women entrepreneurs benefitted from MUDRA loans, MUDRA said.

However, bad loans under the MUDRA scheme are much lower than the total system-wide NPAs. The banking sector's gross NPAs declined to 9.3 per cent in March 2019, much faster than the Reserve Bank of India's estimate and steeply down from 11.5 per cent the year before, a report by ratings agency Crisil said.

MUDRA loans are given by commercial banks, rural reserve banks, small finance banks, cooperative banks, microfinance institutions and NBFCs to the non-corporate, non-farm small and micro enterprises. These loans are refinanced by MUDRA, with allocation from the Centre.

Cautioning the bankers and the government, in a note to the Parliamentary Estimates Committee on bank NPAs late last year, former RBI governor Raghuram Rajan had said, "Credit targets are sometimes achieved by abandoning appropriate due diligence, creating the environment for future NPAs. Both MUDRA loans as well as the Kisan Credit Card, while popular, have to be examined more closely for potential credit risk."

MUDRA LOANS: IN A NUTSHELL (₹ CRORE)

YEAR	DISBURSEMENTS	BAD LOANS	LOANS TO WOMEN
2018-19	311,811	16,480	129,153
2017-18	246,437	9,769	100,170
2016-17	175,312	8,501	78,249

Source: MUDRA

Bankers blamed a host of reasons from demonetisation to loan waivers for the rise in MUDRA NPAs. "Loan waivers by state governments, the credit crunch in the MSME sector after demonetisation and ambitious targets to push up lending to the sector are among several factors that led to the rise in defaults," said an official of a nationalised bank. The outstanding against Kisan Credit Card has gone up from Rs 649,600 crore in 2017 to Rs 670,960 crore in 2018, according to the RBI data. Number of Kisan Credit Cards, however, fell from 7.152 crore to

6.921 crore in 2018.

Last week, an eight-member committee on MSMEs headed by UK Sinha — constituted by the Reserve Bank — submitted its report to the Governor of the central bank. The panel has reportedly proposed long-term measures, including doubling the cap on collateral-free loans to Rs 20 lakh from the current level of Rs 10 lakh, to boost the fund requirement of the MSME sector. If implemented, loan disbursements under MUDRA are expected to rise sharply.

Under the aegis of the Pradhan Mantri Mudra Yojana (PMMY),

MUDRA has created three products, namely *Shishu*, *Kishor* and *Tarun*, to signify the stage of growth, development and funding needs of the beneficiary micro unit/entrepreneur and also provide a reference point for the next phase of growth.

Under *Shishu* scheme, loans up to Rs 50,000 are offered. Under *Kishor* scheme, loans above Rs 50,000 and up to 5 lakh are given to borrowers. *Tarun* scheme covers loans above Rs 5 lakh and up to Rs 10 lakh.

The MUDRA refinances the loans which are offered through commercial banks. The state level performance is being monitored by State Level Bankers Committee. In FY19, MUDRA loans worth over Rs 3.11 lakh crore were sanctioned against a target of Rs 3 lakh crore.

In fiscal 2017-18, Tamil Nadu topped with Rs 25,331.68 crore sanctions, closely followed by Karnataka with Rs 23,009.73 crore. Maharashtra stood at third with Rs 22,751.40 crore MUDRA loans. The top ten states contributed 71 per cent of total sanctions in FY18.

From Sept 1, insurers can sell standalone Own Damage cover for cars, two-wheelers

GEORGE MATHEW
MUMBAI, JUNE 23

IN A relief to vehicle owners, insurance regulator IRDAI has asked general insurers to make available stand-alone annual Own Damage (OD) covers (including stand-alone OD cover for fire or theft if opted for by the policyholder) for cars and two-wheelers. The new regulation will be applicable for both new and old vehicles.

Consequently, with effect from September 1, 2019, the issuance of bundled policies for cars and two-wheelers will not be compulsory. Owners can buy OD and third party policies separately. Further, insurers will have the option to offer package policies, in addition to stand-alone OD and third party (TP) policies. Long term stand-alone OD policy will not be permitted for the present.

A comprehensive car insurance plan has two essential components: OD premium and third party (TP) premium. OD covers loss or damage to the vehicle insured due to accident including fire and theft. TP covers any damage or injury caused by the insured, to another person or property. A TP liability cover is mandatory in India under the

As per new rules, policyholders have the option to renew Own Damage component of a bundled cover falling due on or after September 1, 2019, with the same insurer or different insurer, on an annual basis, IRDAI said

Motor Vehicles Act, 1988. Earlier, the IRDAI circular had stipulated a bundled cover, including OD insurance cover as a package product with a stand-alone motor TP insurance product — one year for OD bundled with long term TP cover for new car/ two-wheeler. Now this has been separated and vehicle owners can go for OD and third party separately. Bundling of cover for the OD portion was earlier permitted as an immediate requirement, keeping in view the date of implementation stipulated by the Supreme Court from September 1, 2018, the Insurance Regulatory and Development Authority of India (IRDAI) said.

As per the new rules, policy-

holders have the option to renew the OD component of a bundled cover falling due on or after September 1, 2019, with the same insurer or different insurer, on an annual basis, IRDAI said.

For issuance of stand-alone OD annual cover as well as for renewal of the OD component of a bundled cover, insurers will have to ensure that OD cover is offered only if a motor TP cover is already in existence or is taken simultaneously. The name of the insurer, policy number and the start date and end date of the TP policy should be indicated in the OD policy document. The stand-alone OD policy should clearly mention that the coverage is only for own damage and no other liability in connection with the vehicle.

The pricing of a standalone OD policy will continue to be that being offered for the OD component of a package policy (the same was followed for the OD component of a bundled product as well).

However, if the insured takes a third party insurance cover from another insurer simultaneously, he or she can cancel the one automatically transferred, provided proof of new insurance is shown. Needless to say, this should apply to annual package and standalone TP policies also.

BRIEFLY

Amazon pours in ₹450 cr for payments unit

New Delhi: American retail giant Amazon has infused Rs 450 crore into its payments unit in India - Amazon Pay, as per regulatory documents. Amazon Pay (India) has allotted 45 crore shares of Rs 10 each aggregating to Rs 450 crore to Amazon Corporate Holdings and Amazon.com Inc Ltd, documents with Corporate Affairs Ministry showed.

'Govt has no business to be in business'

New Delhi: Anil Agarwal, chairman of Vedanta Resources, has told Prime Minister Narendra Modi that the Centre should privatise five mining firms including NMDC to save some of the \$400 billion that India spends annually on imports, saying the government has no business to be in the business. Agarwal was one of the three industrialists invited for a pre-Budget meeting that Modi had with over 40 economists and sectoral experts Saturday.

ASEAN leaders slam protectionism

Bangkok: Southeast Asian leaders, at the Association of Southeast Asian Nations (ASEAN) summit that closed Sunday in Bangkok, made an impassioned plea against protectionism, warning that a dragging United States-China trade spat could hammer their export-led economies. Leaders also called for urgency in concluding talks on a China-led trade pact this year. PTI

KANISHKA SINGH
BENGALURU, JUNE 23

FEDEX CORP said on Sunday an operational error prevented a Huawei Technologies package from being delivered to the United States, just weeks after the US delivery company said an error led to the Chinese firm's packages being misdirected.

China's *Global Times* newspaper said in a tweet later the company is likely to be added to China's 'unreliable entities list' due

'Warehousing space stock to double in 4 years'

The total stock of warehousing space is estimated to double in the next four years to 344 million square feet (sq ft) in eight major cities on rising demand from third party logistics, e-commerce and automobile players, according to the report 'Indian Logistics and Warehousing: Tracing the Lifecycle' by JLL India

22% Year-on-year (y-o-y) growth seen in total stock in Grade A & B warehousing space in eight major cities; from 138 million square ft in 2017 to 169 million square ft in 2018

344 mn sq ft Projected total stock of warehousing space in next four years in eight major cities, namely Delhi-NCR, Mumbai, Chennai, Kolkata, Bengaluru, Hyderabad, Pune and Ahmedabad

63% Y-o-y growth seen in 2018 in demand or absorption for warehousing space; from 19.7 million sq ft in 2017 to 31.8 million sq ft in 2018

<10% Level of vacancies in 2018, caused by robust growth in absorption and demand exceeding supply



Air India regional director suspended for 'shoplifting' at Sydney duty free outlet

ENSE ECONOMIC BUREAU
NEW DELHI, JUNE 23

A SENIOR Air India pilot, Rohit Bhasin, who also worked as regional director for the airline's eastern region, has been suspended after he was accused of shoplifting a wallet at a duty free shop at Sydney while being on official flying duty there on Saturday.

"It has been reported by Regional Manager Australasia that you allegedly committed an act of shoplifting from a duty free shop at Sydney airport before the departure of flight AI301 of June 22, 2019, from Sydney airport for which you were rostered as one of the commanders. Without prejudice to any disciplinary action to be initiated against you and pending enquiry, you are hereby placed under suspension with immediate effect..." according to an Air India letter sent to the accused.

In a statement, confirming the development, a spokeswoman

said: "Air India lays the highest stress on proper conduct of its staff and has a zero tolerance policy towards acts of impropriety. There is an initial report of one of its captains Mr Rohit Bhasin, who is also working as a regional director, picked up a wallet from a duty free shop in Sydney. Air India has instituted an enquiry into this incident and has placed the captain under suspension".

As per reports, the suspended commander has been flying with Air India for over three decades and comes from a family of pilots. His father was a pilot too, as are his wife and son. He is also said to have flown former President Pratibha Patil on her foreign tours in Air India's VVIP aircraft.

The letter by the flag-carrier suspending Bhasin also told him not to enter the premises of Air India or leave Kolkata, his station, without permission of the airline management. He was also asked to hand over all the identity documents issued by the company.

Insolvency proceedings initiated against Jet

PRESS TRUST OF INDIA
NEW DELHI, JUNE 23

INSOLVENCY PROCEEDINGS have been initiated against debt-ridden Jet Airways, which formally stopped flying on April 17 and saw lenders voting for bankruptcy earlier this month. The cash-strapped company became the first domestic airliner to go into bankruptcy after the Mumbai bench of the National Company Law Tribunal (NCLT) admitted an insolvency petition filed by State Bank of India on behalf of 26 lenders on June 20.

"Pursuant to an order dated June 20, 2019 of NCLT Mumbai Bench, Corporate Insolvency Resolution Process (CIRP) has been initiated for Jet Airways (India) as per the provisions of Insolvency and Bankruptcy Code, 2016," Jet Airways said in a regulatory filing Sunday.

The debt-ridden carrier further said that upon initiation of CIRP, the powers of the Board of

Directors of the company have been suspended and shall be exercised by the Interim Resolution Professional.

Jet Airways owes more than Rs 8,000 crore to a consortium of banks, led by State Bank of India, as well as thousands of crores more in arrears to vendors, lessors and employees.

The airline formally stopped flying on April 17 and banks voted for bankruptcy on June 17.

The NCLT bench comprising VP Singh and Ravikumar Duraisamy set a 90-day deadline to resolution professional Ashish Chhauchharia of Grant Thornton to conclude the resolution process, even though the bankruptcy law allows 180 days for the same, saying "the matter is of national importance."

The bench also instructed the resolution professional to file fortnightly progress report and submit the first such report on July 5 when it will begin to hear the matter again.

WITHDRAWAL OF GSP BY UNITED STATES

Many nations offer India GSP benefits, but US move will affect competitiveness

ENSE ECONOMIC BUREAU
NEW DELHI, JUNE 23

EVEN AS the United States has withdrawn preferential tariff benefits to India, provoking New Delhi to impose retaliatory tariffs on many imports of American goods, India continues to enjoy tariff preference from many countries including Australia, Russia and Japan, as well as the European Union (EU), among others.

Indian exports to these countries were nearly five times the total exports to the US in 2018, with the country exporting \$6.3 billion worth of goods to the US under GSP in 2018 and availing duty concession to the tune of \$240 million last year. Effective June 5, 2019, the US terminated its preferential tariffs being granted to India under the Generalized System of Preferences (GSP) Scheme.

However, exports to other countries offering preferential tariffs continues to grow. For instance, Indian exports to 28 countries in the EU under the GSP scheme rose to \$25.96 billion in 2018, up from \$23.93 billion in 2017 and \$20.76 billion in 2016.

Within the group of countries that provided GSP benefit to India, exports to EU nations were highest, followed by the US, Japan, Russia and Australia, respectively. Exports from India to Japan under preferential tariff arrangement were at \$1.71 billion in 2018, as compared to \$1.81 billion in 2017 and \$1.61 billion in 2016. Exports to Russia rose to \$478.68 million in 2018, from \$426.56 million in 2017 and \$430.69 million in 2016. Exports to Australia were at \$445.76 million in 2018, as against \$389.74 million in 2017 and \$319.66 million in 2016.

Apart from these countries, exports to New Zealand, Belarus and Kazakhstan were at \$29.05 million, \$21.25 million and \$5.72 million in 2018, respectively.

"Some developed countries including European Union pro-

EXPLAINED Exports of 1,900 products to now face duties burden

INDIA HAS been a beneficiary of the US' GSP programme since November 1975, under which beneficiary countries are allowed to export thousands of products to the US without the added burden of duties.

As exports under GSP accounted for over 11 per cent of India's total goods exports of \$54.4 billion to the US in 2018, the withdrawal could affect India's competitiveness in exports of 1,900 items, including organic chemical raw materials, iron, steel, furniture, aluminium and electrical machinery, as duties will now be levied on these products.

INDIAN EXPORTS TO COUNTRIES UNDER GSP

Importing Country	2018 (\$ million)	2017 (\$ million)
EU	25,965.15	23,938.67
USA	6,307.3	5,690.8
Japan	17,19.45	1,818.40
Russia	478.68	426.56
Australia	445.76	389.74
New Zealand	29.05	27.93
Belarus	21.25	16.48
Kazakhstan	5.72	5.68

Source: Ministry of Commerce and Industry

vide unilateral tariff preferences on exports from developing countries/least developing country under their Generalized System of Preferences Scheme," Commerce and Industry Minister Piyush Goyal had said Friday in a reply to a question in the Rajya Sabha.

"As per WTO, India is a beneficiary of GSP provided by Armenia, Australia, European Union, Japan, Kazakhstan, New Zealand, Norway, Russian Federation, Switzerland and Turkey," he said. As a beneficiary of the GSP — one of the largest and oldest trade preference programmes by the US — since November 1975, India could export thousands of products to the US without the added

burden of duties.

As exports under GSP accounted for over 11 per cent of India's total goods exports of \$54.4 billion to the US last calendar year, the withdrawal could affect India's competitiveness in exports of 1,900 products, including organic chemical raw materials, iron, steel, furniture, aluminium and electrical machinery, as duties will now be levied on these items.

In response to higher tariffs imposed by Washington on many Indian products, India last week announced a hike in customs duties on as many as 28 US products, including almond, pulses and walnut. The increased customs duties came into effect from last Sunday.

Huawei asks India: Take 'informed, independent decision' on 5G trials

Beijing: Huawei has urged India to make an "informed and independent decision" on permitting its 5G trials in the country as the Chinese telecom giant reeled under pressure following the US ban.

The US has banned Huawei, the world's leader in telecom equipment and the number two smartphone

producer, over concerns of security and Washington has been pressuring other countries to restrict the operations of the Chinese telecom firm.

India, however, is yet to take a call on whether it intends to place curbs on Huawei or allow the firm to participate in the upcoming 5G trials. PTI

FedEx misses delivery of Huawei package to US; may 'enter unreliable entities list'

TRADE TENSIONS EXTEND BEYOND TARIFFS

Trade tensions between the US and China have extended beyond tariffs, particularly after Washington put Huawei on a blacklist that effectively bans US firms from doing business with the company

China's *Global Times* said FedEx is likely to be added to China's 'unreliable entities list' due to the incident, which occurred days before US President Donald Trump and China's Xi Jinping are due to meet in Japan

to unveil its own unprecedented hit-list of "unreliable" foreign firms, groups and individuals that harm the interests of Chinese companies.

China did not single out any countries or companies, but said the list will apply to companies who flout market rules and the spirit of contracts, block supplies to Chinese companies for non-commercial reasons and "seriously harm the legitimate rights and interests" of Chinese companies, according to a report in state-run *China National Radio*.

The commerce ministry will disclose more details of the list soon, the report said.

China's commerce ministry and FedEx did not respond to a request for comment on the likelihood of FedEx being added to the 'unreliable' list. *Global Times* is published by the ruling Communist Party's People's Daily.

Huawei, which said it was reviewing its relationship with FedEx after the mishandling of its packages earlier, did not respond to a *Reuters* request for comment on Sunday. **REUTERS**

erational error," FedEx told *Reuters* in an emailed statement. A company spokeswoman confirmed

the package was US bound but declined to say what it contained. China threatened in late May