21 ECONOMY

₹38,685

₹70.91

\$63.61

SENSEX: 38,989.74 ▲ 396.22 NIFTY: 11,573.30 ▲ 133.10 NIKKEI: 22,048.24 ▲ 28.09 HANG SENG: 26,041.93 ▲ 96.58 FTSE: 7,362.88 ▲ 72.89 DAX: 12,289.77 ▲ 55.59

POLICY WATCH DRAFT AMENDMENT BILL

Govt proposes allowing switch between EPS and NPS; BMS opposes

ENSECONOMIC BUREAU NEW DELHI, SEPTEMBER 26

AN OPTION to switch between Employees' Pension Scheme (EPS) and National Pension System (NPS), a reworked definition of wage to include certain allowances and allowing prioritisation of payment of EPF dues over other debts of a company are some of the major changes proposed by the government in the draft The Employees' Provident Funds and Miscellaneous Provisions (Amendment) Bill, 2019.

RSS-affiliated trade union Bharatiya Mazdoor Sangh (BMS) has, however, objected to the proposal to amend EPF law to allow workers to switch between EPS and NPS along with proposal to give an option to reduce the PF contribution rate from 12 per cent to 10 per cent. In the tripartite consultation held on Tuesday to discuss the proposed amendments in EPF MP Act 1952, which was chaired by Labour and **Employment Minister Santosh** Gangwar, the trade union opposed the new amendment to EPF law. This is the second time, after 2015, that the proposal to bring NPS in EPF law is being opposed by BMS and other trade unions. "NPS is risky market linked, return in EPS is much more than NPS as per the study of EPFO, EPS has more benefits like benefits to family members, insurance, widow pension etc. NPS has a lock period of 15 years for withdrawal, NPS is only a savings scheme with uncertainty of the return at the time of retirement," BMS said in a statement following the consultative

meeting with Labour Ministry. The central trade union further said that the government has not come out with any study about the comparative advantage of the new amendment to workers. BMS also opposed dilution of the latest Supreme Court judgement on the question of inclusion of al-

lowances in the calculation of

OTHER PROPOSALS

■ Amendment also proposes to fix computational basis for 'wage' with allowances paid above 50% or as notified percentage, of all remuneration, to be included in wage

■Prioritisation of payment of EPF dues over other debts of a firm, also proposed

EPF contribution along with opposing reduction of PF contribution rate from 12 per cent to 10 per cent and giving arbitrary power to government to fix the rates. "So the amendments will only help erring employers and private players and is against the interest of workers, hence Bharatiya Mazdoor Sangh opposed the new amendments to EPF law. None of the demands of trade unions is included in the amendment," it said. The Ministry, on its website, said that most of the proposed amendments were "welcomed by the stakeholders". In the draft amendment

Bill, the government has proposed to allow EPF members to choose to switch their contribution towards EPS to NPS. At present, 8.33 per cent of the employer's contribution (12 per cent of basic pay and dearness allowance and capped at Rs 15,000) goes into the EPS for pension payouts post-retirement.

Also, the amendment proposes to fix computational basis for 'wage' with allowances paid above 50 per cent or as notified percentage, of all remuneration, to be included in wage. Currently, the computational basis for determining provident fund contribution is basic wage, dearness allowance and retaining allowance.

FINANCE MINISTER MEETS PRIVATE BANKS

FM: Auto sales dip 'sentiment driven'; growth to be back in couple of quarters

ENSECONOMIC BUREAU NEW DELHI, SEPTEMBER 26

IN A meeting with Finance Minister Nirmala Sitharaman Thursday, many private banks indicated that they will join loan distribution programmes in 400 districts being organised by public sector banks and NBFCs starting next month. Banks indicated they have surplus liquidity that can be deployed during such programmes. Briefing media after the two-

hour long meeting, Sitharaman described her interaction with heads of leading private sector banks, small finance banks and financial institutions as "tonic like". She said her discussions with private lenders revealed that there is no liquidity problem in the financial system. While there are some issues in the wholesale lending, retail lending is not facing any liquidity challenge, she said. "On the whole, it was a very, what can I say, tonic-like meeting, where I have heard a lot of good things, positive things, and not one voice said there is a concern, (or) there is a shortfall of demand. But to my surprise, more credit (deployment) for them is possible even as it is because none of them voiced liquidity concerns," Sitharaman said.

On the issue of automobile



Finance Minister Nirmala Sitharaman, Finance Secretary Rajiv Kumar and Revenue Secretary Ajay Bhushan Pandey during a meeting with private sector banks, in New Delhi. PTI

sales, bankers told the government that while commercial vehicle slowdown was cyclical and growth will come back in a couple of quarters, dip in passenger vehicle sales was mainly "sentiment driven" and it is expected to pick up in the upcoming festive season ahead of Diwali next month. One observation made by bankers was that the services sector, which contribute more than 50 per cent to the GDP, has high appetite for credit, she said. Bankers suggested that liquid assets held by service sector employees should be allowed to be used for their credit assessment.

Uday Kotak, MD and CEO of Kotak Mahindra Bank, said that private banks are willing to participate

in the loan distribution programme as there was surplus liquidity with them. Kotak said the private banks think in terms or "one country, one financial system". "When the government is going out there, it is our dharma to lend actively and prudently...We see no pressure from government on outreach programme, we want to lend as there's surplus liquidity," Kotak said.

Most lenders said there were witnessing 15-20 per cent credit growth and retail credit was expanding reasonably well. The government has invited banks to join these outreach programmes and it is up to the private banks whether they want to participate, Sitharaman said.

HDFC Bank, Kotak Mahindra Bank, Bandhan Bank, IDFC First Bank, AU Small Finance Bank were among the banks which participated in Thursday's meeting organised by the Department of Financial Services. During the meeting, private sector lenders flagged the need for self declaration of present address in case of borrowers who are eKYC authenticated, to enable hassle free lending and for helping with co origination of loans by banks and NBFCs. IDFC First Bank's MD and CEO V Vaidyanathan said the private banks were experiencing double digit growth and enough liquidity is available especially to push retail and MSME credit. State-owned banks and Non

Banking Financial Companies are jointly organising loan distribution programmes in 400 districts for retail, agriculture and MSME customers. "We have decided that in 200 districts of the country...there shall be a gathering which the banks will have of the NBFCs with whom they have tied up and given liquidity, and retails customers of the bank or new retail customers all coming together in a public place, or under a *shamiana* (tent) hopefully, where it available for people to see (that banks and NBFCs are extending credit," she said last Thursday after a meeting with public sector banks.

RBI Officers Society has ₹105 crore fixed deposits in PMC Bank

GEORGE MATHEW MUMBAI. SEPTEMBER 26

THE OFFICERS of banking regula-

tor Reserve Bank of India (RBI) could, ironically, be among those in a spot of bother amid the crisis unfolding at the Punjab and Maharashtra Cooperative Bank Ltd (PMC Bank), which faced regulatory action earlier this week. The Reserve Bank of India Officers Co-Op Society Ltd had fixed deposits worth Rs 105 crore in the bank which was put under an administrator and the board of directors was superseded by the RBI.

However, the society won't be able to withdraw any money from the bank as the RBI has stipulated that only Rs 10,000 will be allowed to be withdrawn by a customer irrespective of the account that he maintains in the bank. "RBI officers too will end up feeling the pinch of withdrawal limit on PMC Bank," said a financial sector player.

Pensioners could also be ruing their fate as the Maharashtra Government had permitted PMC Bank "to open saving bank account of the pensioners" of the state government. The Maharashtra Government had permitted PMC Bank "to open saving bank account of the pensioners of government of Maharashtra" last fiscal, the cooperative bank claimed in its annual report for 2018-19. The number of accounts opened under the 'Nivratika Savings Bank Accounts' head could not be ascertained.

Pensioners could also be ruing their fate as the Maharashtra govt had permitted PMC Bank "to open saving bank account of pensioners" of the state government

According to the balance sheet of the RBI Officers Co-Op Society, apart from Rs 105 crore FD in PMC Bank, it had FDs in Bharat Co-operative Bank (Rs 100 crore), Apna Sahakari Bank (Rs 85 crore) Solapur Janata Sahakari Bank (Rs 50 crore) and Thane Bharat Sahakari Bank (Rs 85 crore). among others. "The RBI is likely to lift the restrictions once the problems in the bank are resolved. The money will be safe," said an official of the All India Reserve Bank **Employees Association. When** contacted, the RBI did not comment on the issue.

Co-operative societies or primary co-operative credit societies (PACS) are allowed to raise deposits only from their members. "Such co-operative societies have neither been issued any licence under Banking Regulation Act 1949 (as applicable to cooperative societies) nor are they authorized for doing banking business," RBI says. The insurance cover from Deposit Insurance and Credit Guarantee Corporation will not be available for deposits placed with these entities.

'World digital competitiveness: India rises to 44th rank'

India has advanced four places to the 44th position in terms of digital competitiveness in the world, according to a IMD World Digital Competitiveness Ranking 2019 report

48TH PLACE IN 2018: The country has improved overall in all factors — knowledge, technology and future readiness — as compared to the previous year's ranking

US IS THE most digitally competitive economy, followed by Singapore

SWEDEN WAS ranked third, followed by Denmark and Switzerland in the 4th and 5th place, respectively

TOP 10 LIST INCLUDES: ■ The Netherlands at 6th

place Finland at 7th

- Hong Kong SAR at 8th
- Norway at 9th Republic of Korea at 10th

THE LARGEST jump in the ranking was registered by China, from 30th to 22nd, and

> **IN THE CASE** of China, the improvement originated mainly in the knowledge

Indonesia, from 62nd to 56th

factor (18th) in which it progressed in the training and education sub-factor (from 46th to 37th) and in scientific concentration (21st to 9th), the report said

TAIWAN AND China moved

up to 13th and 22nd place, respectively

THE RANKING measures the capacity and readiness of 63 nations to adopt and explore digital technologies as a key driver for economic transformation in business, government and wider society

THREE FACTORS that the WDCR examines are: Knowledge, the capacity to understand and learn the new technologies; technology, the competence to develop new digital innovations; and future readiness, the preparedness for the coming developments

PMC 24th co-op bank to face RBI action since Jan

ENSECONOMIC BUREAU NEW DELHI, SEPTEMBER 26

THE RESERVE Bank of India's order restricting banking activity at Punjab and Maharashtra Cooperative (PMC) Bank on Tuesday is not a case in isolation as 23 more co-operative banks faced similar action by the regulator so far in this calendar year.

While RBI restricted withdrawals and appointed an administrator superseding the board of PMC on Tuesday after finding financial irregularities and audit concerns at PMC Bank, under Section 35(A) of the Banking Regulation Act, it has taken steps under the same section in case of 23 more urban co-operative banks and has extended the period of such action (taken in the past), in case of ten other banks.

Sources in the banking industry say that this reflects upon the magnitude of the problem at cooperative banks and raises question marks in the way they are being run and regulated. As per the data collated by Maharashtra State Bank Employees Federation (MSBEF), PMC Bank is the 24th bank this year to have seen RBI invoking Section 35(A). The section provides RBI with the power to give directions to banks in a bid to "to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company". The RBI can also "secure the proper management of any banking company" under this section.

The co-operative banks that have seen an extension of orders issued by RBI include Kapol Cooperative Bank, Rupee Co-operative Bank, Mercantile Co-operative Bank and The City Co-operative Bank among others.

Beside the PMC Bank, the co-

operative banks that have seen

fresh directions from RBI under this section this calendar include Mapusa Urban Co-operative Bank of Goa, Kerala Mercantile Co-operative Bank, The Maratha Sahakari Bank, The CKP Co-operative Bank and Bidar Mahila Urban Co-operative Bank among others. Devidas Tuljapurkar, general secretary, MBSEF said that instead of intervening as knee-jerk reaction, the RBI should, "Carry out inspection of all Urban Co-operative Banks," and do quality inspection to deal with delinquent urban co-operative banks. He further said, "RBI as a regulator has failed in arresting distractions in the financial sector, leading to decline in confidence of common man in the banking sector".

On the other hand, three banks have seen a withdrawal of orders passed by RBI under the section this year. These include Shri Ganesh Sahakari Bank, Gomti Nagariya Sahkari Bank and Indian Mercantile Co-operative Bank.

Sebi examining 'controlling shareholders' concept: Tyagi

ENSECONOMIC BUREAU MUMBAI, SEPTEMBER 26

THE SECURITIES and Exchange Board of India (Sebi) is examining the relevance of the company 'promoters' concept and studying the possibility of shifting to 'controlling shareholders'.

While the concept of 'promoters' has been prevalent in India for a long period of time, globally, rather than promoters, the concept of 'controlling shareholders' is more prevalent. "Keeping in mind changing realities of the global and Indian markets, we are examining the relevance of the concept of 'promoter' in today's times along with whether any changes to Sebi Regulations are

"Keeping in mind changing realities of the ... markets, we are examining the relevance of the concept of 'promoter' in today's times along with whether any changes to Sebi Regulations are warranted in this regard"

warranted in this regard," Sebi

Chairman Ajay Tyagi said.

Tyagi said the Sebi will soon take a view on a proposal to reduce the time taken for rights issues to around 31 days. Besides, the market watchdog is in the process of taking steps to further strengthen the framework for alternative investment funds (AIFs), Tyagi said at a Ficci event here.

With regard to rights issue, the regulator came out with a consultative paper on the mode of fund raising in May. In the paper, Sebi

AJAY TYAGI, CHAIRMAN, SECURITIES AND EXCHANGE BOARD OF INDIA proposed to reduce the overall time taken for rights issue to

around 31 days as well as make the application and allotment process more efficient. Currently, the rights issue process takes 55-58 days from the time a company decides to launch the issue till the listing. "Sebi had put out a consultative paper to reduce the timelines for rights issues. We will be soon taking a view on this subject," Tyagi said.

> He said in recent times, rights issue has seen a pick-up in the ac

tivity. In the rights issue mode, shares are issued to existing investors at a pre-determined price, normally at a discount, in proportion to their holdings. The regulator said that there is

a need to reduce the timelines both in the pre-issue opening phase and after issue closure such that issuer and shareholders benefit from process efficiencies.

On AIF, Sebi said it is in the "process of taking steps to further strengthen the framework for AIFs in areas such as standardisation of the private placement memorandum and benchmarking framework performance disclosures". Tyagi said there is a conscious effort to move from bank credit to other forms of credit. WITHPTI

now withdraw up to ₹10K

PMC Bank customers can

ENSECONOMIC BUREAU MUMBAI, SEPTEMBER 26

PROVIDING RELIEF to worried customers of crisis-hit Punjab & Maharashtra Cooperative Bank, the Reserve Bank on Thursday increased the cash withdrawal limit to Rs 10,000 per account.

While slapping restrictions on the bank for six months, the RBI had on Tuesday allowed withdrawal of only Rs 1,000, creating panic among the depositors. "It has been decided to allow depositors to withdraw a sum not exceeding Rs 10,000 (including the Rs 1,000 already withdrawn) of the total balance held in every savings bank account or current account or any other deposit account," the RBI said in a statement.

According to the central bank, the higher limit is subject to fact the customer does not have any liability with the bank by way of loans of surety for a third-party loan. With the above relaxation, more than 60 per cent of the depositors of the bank will be able to withdraw their entire account balance. Meanwhile, the bank said the 36th annual general meeting of the bank, scheduled to be held on September 28, has been called off as the board of the bank has been superseded.

Sebi: No provision for standstill pact between MFs and borrowers

ENSECONOMIC BUREAU MUMBAI, SEPTEMBER 26

no provision for standstill agreements between mutual funds and their borrowers in any regulations and all entities need to follow the same rules.

ulations. We have made our position clear. Entities have to follow the regulations that are there. There is no confusion in that," Sebi Chairman Ajay Tyagi said.

The Sebi observation came a day after Subhash Chandra-led Essel Group claimed it has got unanimous backing from lenders including fund houses to further extend its repayment timelines for

its balance dues. Mutual funds had first given an extension, called as standstill agreement, to the financially embattled group till SEBI ON Thursday said there was September, creating a new precedent. This move was done in the face of a massive decline in the market price of Zee Entertainment Enterprises, the flagship company in the group, where promoters "It is not there in any of the reghad pledged holdings.

On September 20, the Zee group said it was in a steady dialogue with lenders. Zee also asked its lenders to extend its September 30 deadline for repayment of debt. On reports of SBI writing to Sebi to make an exception in the DHFLrestructuring case, Tyagi said there are already regulations on Inter Creditor Agreements for MFs and

that is the policy.

EXPRESS NEWS SERVICE KOLKATA. SEPTEMBER 26

THE WEST Bengal government is planning to set up "co-living places" through a joint venture in Kolkata to offer affordable and shared housing facilities to young IT professionals and entrepreneurs in order to attract talent from India and Bangladesh.

The government has taken this decision to help young IT professionals, entrepreneurs and innovators who are working in the IT industry at Kolkata's Rajarhat and New Town areas.

Speaking on the concluding day of the two-day 'Technology Senate Bangla', organised by The Express Group, Debashis Sen, Additional Chief Secretary, IT Department, Government of



West Bengal, said: "We have a few housings where we are tying up with private companies through the tender process. We are having conversations right now with them. We are trying to come up with co-living places, along with co-working places close to the Silicon Valley project. It is for young entrepreneurs, startups and young innovators. TCS employs more than 38,000 people here. Now people come from all over the India but where do they stay? So with this project affordable shared housing facilities will be pro-

vided to them." Sen said the government was in conversation with com-

panies to find out a joint-venture route to build co-living spaces, along with co-working places close to Bengal's Silicon Valley project. He also added that this project had been approved and the budget sanc-

tioned. The Silicon Valley project was launched in August last year to attract investment in the IT sector and to build a world class ecosystem for cutting edge technologies and innovation. Companies such as Reliance Jio, TCS and First Source have already bought land the Silicon Valley Hub, which will come up in New Town.

"We are doing this to help professionals and young innovators find living space with ease so that we can invite talent from all over the country and also from Bangladesh to West Bengal in future," Sen said.



Debashis Sen, Additional Chief Secretary, IT Department, Government of West Bengal, at the **Technology Senate Bangla, in Kolkata on Thursday.** Partha Paul