

STATE ELECTIONS

MAHARASHTRA

Development spending the bright spot, agri waivers a work in progress

AANCHAL MAGAZINE
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TWO YEARS since the announcement of farm loan waivers worth Rs 34,020 crore, Maharashtra has provided Rs 21,925 crore for the waivers, or about 64 per cent of the total announced amount. Even though the state government last month approved expanding the scope of farm loan waivers ahead of the upcoming election, over one-third of the amount announced earlier is yet to be provided for, according to the statistics provided by the state to the Reserve Bank of India.

The slow progress on the farm loan waiver allocations could have a bearing on the government's fiscal health staying within the stipulated caps outlined by the fourteenth Finance Commission, with the fiscal deficit for 2018-19 recorded at 2.1 per cent of Gross State Domestic Product (GSDP). For 2019-20, it has been pegged at 2 per cent of GSDP. Also, while development spending by the Devendra Fadnavis administration has been rising over progressive years, asset creating capital expenditure as a per cent of the total expenditure, which picked up in the initial years of the present government to 13 per cent, has subsequently slid — down to 10.3 per cent of the total expenditure in 2017-18.

The state, which has the highest share in the country's nominal GDP at 14.4 per cent, has seen its per capita income grow by over 44 per cent at constant prices in the last five years from Rs 1,32,476 in 2014-15 to Rs 1,91,827 in 2018-19. As per the RBI's 'State Finances: A study of Budgets of 2019-20', the Maharashtra government had announced farm loan waiver of Rs 34,020 in 2017-18, of which the Centre provided for Rs 15,020 crore or 0.8 per cent of the

MAHARASHTRA GOVT CAPEX SINCE 2015-16

	Per capita income (Rs)	Capital expenditure (as % of total expenditure)	Development expenditure (Rs crore)
2015-16	1,46,258	11.2	1,26,004
2016-17	1,62,005	13.0	1,41,619
2017-18	1,76,102	10.3	1,63,036
2018-19	1,91,827	12.6	2,13,201

state's GSDP in the first year itself, which reduced to Rs 6,500 crore or 0.3 per cent of the GSDP in the subsequent year. The Centre provided only Rs 405 crore for farm loan waiver in this year's Budget, which is almost equivalent to zero as a percentage of the state's GSDP, the RBI report showed.

While asset-creating capital expenditure as a per cent of the total expenditure has been struggling after an initial uptick, development expenditure — comprising expenditure incurred on social, economic services and grants-in-aid to local bodies and panchayat raj institutions — has, however, picked up gradually in the state over the past five years. From Rs 1.26 lakh crore in 2015-16, development expenditure rose Rs 1.63 lakh crore in 2017-18. As a per cent of the aggregate disbursement, development expenditure of Maharashtra has been over 60 per cent during the last three financial years.

Expenditure on agriculture and allied activities, which has about 46.1 per cent of the workers in the state, increased to Rs 23,468 crore, or 6.3 per cent of the total expenditure, from Rs 9,660 crore, or 4.3 per cent of the total expenditure in 2015-16. For 2019-20, however, the state has allocated 6.1 per cent of its total Budget towards agriculture and allied activities, lower than the 6.4 per cent average allocation of other states.

Maharashtra's proportion of spending on other key social sectors such as education and rural development has been higher than the national average. In FY20, Maharashtra allocated 18.9 per cent of its expenditure on education, higher than the average expenditure of 15.9 per cent allocated to education by other states. On the health front, the state has allocated 4.2 per cent of its expenditure, lower than the 5.2 per cent average expenditure of other states.

MCLR DOWN BY 10 BPS, BULK TERM DEPOSIT RATE CUT BY 30 BPS

SBI cuts rates on savings bank deposits by 25 bps to 3.25%

ENSE ECONOMIC BUREAU
MUMBAI, OCTOBER 9

CLOSE ON the heels of the Reserve Bank of India's (RBI's) fifth cut in the repo rate last week, State Bank of India (SBI) on Wednesday slashed the interest rate on savings bank deposits (with balances up to Rs 1 lakh) by 25 basis points (bps), from 3.50 per cent to 3.25 per cent, with effect from November 1, 2019.

The bank also slashed its retail term deposit and bulk term deposit interest rates by 10 bps and 30 bps, respectively, for '1 year to less than 2 years' tenor, with effect from October 10, 2019. It has also reduced the MCLR (marginal cost of funds based lending rate) by 10 basis points, making home and personal loans cheaper for customers. This has been done "in view of the adequate liquidity in the system", the bank said. Other banks are set to follow suit and slash the rates in order to retain their customer base.

According to banking sources, SBI's move to trim rates on its savings deposits to 3.25 per cent is likely to trigger a spate of cuts across banks as they have moved to repo-linked loans. For big banks such as SBI, savings deposits form 25-35 per cent of deposits. The rate for SBI's FD tenure of one year to less than 2 years is now 6.4 per cent and for 180 days to 210 days, the rate will be 5.80 per cent.

Earlier, SBI had linked the interest rate on savings account deposits with balance of over Rs 1 lakh to the repo rate. Currently, it stands at 3 per cent. SBI's domestic savings bank de-

EXPLAINED Lender hopes to boost consumption amid slowdown

SBI'S DECISION to cut both the lending and deposit rates may nudge people to borrow more and spend more at a time when the economy is facing a consumption slowdown. However, the issue of transmission of RBI's repo rate cut into lending rates remains a major concern.

While the bank slashed the deposit rates by up to 30 basis points, the lending rates have been brought down by only 10 basis points. The cut in MCLR may not immediately benefit the floating rate home loan customers of the bank. It remains to be seen as to what other banks and HFCs do.

Bank of Maharashtra can't settle losses against reserve account: RBI

Mumbai: The RBI has denied permission to Bank of Maharashtra to settle its accumulated losses of Rs 7,360 crore against the balance lying in its share premium account and revenue reserve account.

The bank's board and shareholders approved setting off accumulated losses of Rs 7,360.29 crore as of March 31, 2019, against the balance lying in share premium account and revenue reserve ac-

counts stood at more than Rs 10.64 lakh crore at end-December 2018.

SBI has reduced its MCLR — sixth consecutive rate cut in FY19-20 — by 10 bps across all tenors in view of the festive season and extending benefit to customers across all segments. The one-year MCLR comes down to 8.05 per

cent per annum from 8.15 per cent with effect from October 10. SBI's two-year MCLR has declined by 10 bps to 8.15 per cent, three-year MCLR to 8.25 per cent and six-month MCLR to 7.9 per cent.

On October 4, the RBI slashed its key policy rate by 25 basis points to 5.15 per cent — the lowest level since March 2010 — stating that the "continuing slowdown warrants intensified efforts to restore the growth momentum". This means interest rates on certain loans and deposits of banks will automatically come down as the RBI had already directed banks to link their interest rates to a benchmark rate. The fifth consecutive cut this year by the RBI has brought down the repo rate by 135 basis points from 6.50 per cent in 2019.

"With inflation being within the target, the forward guidance remains accommodative to revive growth. We believe the transmission of monetary policy rate changes will be faster now that banks have already introduced repo-linked retail and MSE products and the rate cuts will be passed on to these borrowers. With the busy and festive season having started, this rate cut will boost market sentiments," said Padmaja Chunduru, MD and CEO of Indian Bank.

Mrutyunjay Mahapatra, MD and CEO of Syndicate Bank, said, "The RBI has continued its accommodative stance on monetary policy and interest rates. With this, the banking sector, which has moved from MCLR to external benchmark loan rate, shall pass on the 25 bps reduction to the ultimate consumers faster than in the past." Stepping up its initiative to speed up transmission of rate reduction benefits to customers, the RBI last month made it mandatory for banks to link all new floating rate personal or retail loans and floating rate loans to MSMEs to an external benchmark like the repo rate effective October 1, 2019.

‘India slips to 68th place on global competitiveness index’

India has fallen 10 places to the 68th rank on the Global Competitiveness Index, released by the World Economic Forum (WEF), largely on account of improvement witnessed by several other economies

WHAT IS THIS INDEX?

The Global Competitiveness Index, which was launched in 1979, maps the competitiveness landscape of 141 economies through 103 indicators organised into 12 pillars

SOUTH ASIAN NATIONS' RANKING:

84 Sri Lanka
105 Bangladesh
108 Nepal
110 Pakistan
China is ranked 28th (the highest ranked among the BRICS)

THE TOPPERS



INDIA'S SHORTCOMINGS

- India's financial sector is relatively deep and stable, but the high delinquency rate continues to weaken its banking system
- Limited ICT adoption, poor health conditions and low

healthy life expectancy

■ Product market efficiency undermined by lack of trade openness

■ Labour market characterised by a lack of worker rights' protections, underdeveloped active labour market policies

■ Low ratio of female workers to male workers of 0.26; India is ranked at 128th place

■ Low rank, i.e. 118th, in terms of meritocracy and incentivisation

BRIGHT SPOTS

■ India well ahead of most emerging economies and on par with several advanced economies in terms of innovation

■ In terms of the market size, India is ranked third, while it has got the same rank for renewable energy regulation

Govt hikes DA by 5 percentage points for staff, pensioners

EXPRESS NEWS SERVICE
NEW DELHI, OCTOBER 9

THE CABINET on Wednesday approved an increase in dearness allowance (DA) and dearness relief (DR) by 5 percentage points for government employees and pensioners. With this increase, the DA and DR will become 17 per cent of the basic pay and pension. The decision will benefit about 50 lakh central government employees and 65 lakh pensioners.

The Cabinet, chaired by Prime Minister Narendra Modi, also relaxed the mandatory requirement of Aadhaar-seeded data as a precondition for release of funds to the beneficiaries under the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) scheme. This will ensure that the farmers whose Aadhaar details have not been seeded into PM-Kisan database continue to get benefits under this scheme.

Briefing about the Cabinet decisions, Minister of Information & Broadcasting Prakash Javadekar said, "The hike in DA and DR will be paid from July 1, 2019, this will bring cheers to the working class because central government is achieving many mile stones in various sectors and it is the contribution of employee to all this achievements."

The central government pays

The Cabinet also relaxed the mandatory requirement of Aadhaar-seeded data as a precondition for release of funds to the beneficiaries under PM-Kisan scheme

DA and DR to its employees and pensioners to adjust the cost of living and to protect their basic pay or pension from erosion in the real value. As per an official statement, "The combined impact on the exchequer on account of both DA and DR would be Rs 15,909.35 crore per annum and Rs 10,606.20 crore in the financial year 2019-20 (for a period of 8 months from July 2019 to February 2020)."

"The additional financial implication on account of this increase in DA is estimated at Rs 8,590.20 crore per year; and Rs 5,726.80 crore in the current financial year of 2019-20 (for 8 months from July 2019 to February 2020). The additional financial implication on account of the Dearness Relief to pensioners is estimated to be Rs 7,319.15 crore per annum and Rs 4,870 crore in the current financial year", it said.

Sensex snaps losing streak, rallies 646 pts

ENSE ECONOMIC BUREAU
MUMBAI, OCTOBER 9

THE BENCHMARK Sensex on Wednesday staged a strong rally as investors lapped up banking and financial stocks ahead of the earnings season. The BSE Sensex surged 645.97 points, or 1.72 per cent, to end at 38,177.95, while the broader NSE Nifty zoomed 186.90 points, or 1.68 per cent, to 11,313.30, amid increasing doubts of a breakthrough in the upcoming US-China trade talks.

After a cautious start, the key indices gained momentum in afternoon trade, led by banking, financial and telecom counters. The sentiment got a further boost after the Union Cabinet hiked the dearness allowance (DA) for central government employees, which is expected to prop up festive demand, analysts said.

Vinod Nair, head of research at Geojit Financial Services, said, "The market recovered after many days of fall and rose comfortably above 11,300-level. Banks outperformed as the sharp fall in bond yield is indicating further room for rate cuts which will improve liquidity and consumption story. Further, a 5

per cent hike in DA by the Centre will add impetus to the festival demand. Going forward, the result season will dictate the market direction and investors are expecting some green shoots on account of festival demand and good monsoon."

IndusInd Bank spurted 5.45 per cent, followed by Bharti Airtel, ICICI Bank, SBI, M&M, Kotak Bank, Tata Steel and HDFC Bank. On the other hand, Yes Bank was the top loser with a 5.26 per cent decline.

Sectorally, BSE telecom emerged the biggest gainer with a jump of 4.92 per cent, followed by banking (3.67 per cent), finance (2.84 per cent), metal (2.12 per cent), realty (1.99 per cent), basic materials (1.95 per cent) and energy (0.98 per cent). However, IT, consumer durables and tech lost up to 0.92 per cent. The BSE Midcap index shot up 1.38 per cent while the smallcap gauge gained 0.66 per cent.

Meanwhile, the rupee pared most of its initial losses and settled the day marginally down by 5 paise, as China offering to buy additional US goods to ease trade tension bolstered hopes of a partial deal between the two major economies.

INDIA AT WTO ‘Dilution of S&D provisions will lead to continuation of deadlock’

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 9

INDIA, ALONG with several other countries including China and African nations, has cautioned against diluting special and differential treatment provisions related to developing countries, saying it would lead to "intractable deadlock" at the World Trade Organization (WTO).

A communication by west African country Benin, on behalf of the African Group, Bolivia, China, Cuba, India and Oman has said that developing countries' should continue to enjoy benefits of special and differential treatment (S&D) under WTO rules and they must be allowed to make their own assessments regarding their own developing country status.

"Attempts to water down these principles would be a recipe for intractable deadlock at the WTO, including in the negotiations on fisheries subsidies. It is in the interest of the entire membership to avoid this situation," the communication sent to the WTO said.

RBI rejects proposed merger of Lakshmi Vilas Bank, Indiabulls Housing Finance

ENSE ECONOMIC BUREAU
MUMBAI, OCTOBER 9

THE RESERVE Bank of India (RBI) has denied approval for the voluntary amalgamation of Indiabulls Housing Finance Limited (IBHFL) and its 100-per cent subsidiary Indiabulls Commercial Credit Limited (ICCL) with Chennai-based Lakshmi Vilas Bank Limited (LVB).

"This is to inform that the RBI vide their letter dated October 9, 2019, informed that the application for voluntary amalgamation of Indiabulls Housing Finance and Indiabulls Commercial Credit with the Lakshmi Vilas Bank Ltd cannot be approved," the bank said in a stock exchange filing.

After Indiabulls made the merger proposal, the bank had taken up with "applicable regulatory authorities for approval of the amalgamation process". "The bank had also sought approval from the RBI on May 7, 2019," the bank said. In April, LVB had announced its merger with Indiabulls Housing Finance in a share-swap deal, with an intent to create an entity with larger capital base and wider geographical reach. The Competition Commission of India had already approved the merger.

The share swap ratio for the

INDIABULLS' BANK DREAM DELAYED

THE WORSENING financial profile of the bank and the court case involving Indiabulls could have prompted the RBI to reject the approval for merger, bankers said



merger was fixed at 1:0.14, which means that for every 100 shares of LVB held by shareholders, they would have received 14 shares of IBHFL, according to the filing on the stock exchanges. Indiabulls had attempted to enter the banking sector about six years ago, when the RBI sought applications for a banking licence. However, it failed to receive the license from the monetary authority in 2014.

The worsening financial profile of the bank and the court case involving Indiabulls could have prompted the RBI to reject the approval for merger, bankers said. The RBI had last week initiated Prompt Corrective Action (PCA) for LVB in the wake of high non-performing assets (NPAs) and low capital adequacy ratio.

According to the bank's Annual Report for 2018-19, many accounts have slipped into NPAs from different segments includ-

ing corporate, MSME and retail. The total slippage during FY18-19 was to the tune of Rs 1,412 crore. Gross NPAs stood at Rs 3,358.99 crore as of March 2019 while the net NPA was Rs 1,506.30 crore, against which a provision of Rs 1,785.27 crore has been made.

In percentage terms, the gross NPAs were 15.30 per cent of the advances. The bank made a loss of Rs 894 crore in fiscal 2018-19 and Rs 237 crore in the June quarter of 2019-20. The bank's gross advances as on June 30, 2019 were to the tune of Rs 20,556 crore with net interest income at Rs 123 crore. Total deposits were pegged at Rs 28,980 crore. As of June 2019, the bank's operations are spread over a network of 569 branches (includes 7 banking branches, one satellite branch) and 5 extension counters with pan India presence, supervised by 7 Regional Offices.

The Delhi High Court had last

month sought response of the Centre and the RBI on a plea seeking an SIT investigation into the alleged illegalities, siphoning of funds and violations committed by the promoters of Indiabulls Housing Finance. A Bench of Chief Justice D N Patel and Justice Ch Hari Shankar issued notice to the central government, the Reserve Bank of India and Indiabulls seeking their stand on the petition filed by an NGO. The court listed the matter for further hearing on December 13.

The court was hearing the PIL filed by NGO 'Citizens Whistle Blower Forum', whose members include former Delhi High Court Chief Justice A P Shah, former Chief of Naval Staff Admiral L Ramdas, former IAS officer Aruna Roy and activist-lawyer Prashant Bhushan. The plea has sought an SIT investigation into the alleged illegalities committed by the promoters of IBHFL. Indiabulls had earlier opposed the plea saying it was a "malicious" and "mala fide" petition, which was causing loss to its business and reputation.

The Economic Offences Wing of the Delhi Police has registered a FIR against Lakshmi Vilas Bank, its directors and other unknown persons on a complaint made by Religare Finvest Ltd (RFL) regarding "adjustment" of Rs 794 crore deposit loan.

No more free Jio phone calls to other networks; to charge 6p/min

ENSE ECONOMIC BUREAU
NEW DELHI, OCTOBER 9

CITING REGULATORY uncertainty over the review of sunset clause for call termination charges, Reliance Jio on Wednesday announced it will charge customers 6 paise per minute for voice calls made to other networks like Airtel, and Vodafone Idea, and will compensate users by giving them free data of equal value.

Sunil Mittal-led Bharti Airtel, in a statement, said that the move by Jio was aimed to "force IUC (interconnect usage charge) to be brought down", adding that the ongoing review of call connect charges or IUC is consistent with previously-stated intent by the Telecom Regulatory Authority of India (Trai).

In 2017, Trai cut the interconnect usage charge (IUC) to 6 paise per minute from 14 paise and said this regime would end by January 2020. However, it floated a consultation paper to review whether the regime timeline needs to be extended.

Since voice calls on Jio network are free, the company had to bear the Rs 13,500-crore payment made to rivals such as Bharti Airtel and Vodafone Idea. To recover the losses created

IUC GAME

■ Sunil Mittal-led Bharti Airtel said the move by Jio was aimed to "force interconnect usage charge to be brought down"

■ In 2017, Trai cut the so-called interconnect usage charge to 6 paise per minute from 14 paise and said this regime will end by Jan

by the Trai move, the company has decided to charge customers 6 paise per minute for every call they make to a rival's network.

This will be the first time that Jio users will pay for voice calls. Currently, Jio charges only for data, and voice calls to anywhere in the country and to any network are free.

"...The consultation paper has created regulatory uncertainty and therefore Jio has been compelled, most reluctantly and unavoidably, to recover this regulatory charge of 6 paise per minute for all off-net mobile voice calls so long as IUC charges exist," Jio said in its statement.

In its statement responding to Jio's decision, Airtel said, with-

out naming the company: "One of our competitors has imposed a rate of 6 paise for all off-net calls made to other operators to cover the termination charge of IUC. They have gone on to suggest that TRAI has re-opened this issue".

Airtel argued that the review was, in fact, in line with Trai's stated position on the matter in 2017 where it had made it clear that the issue will be revisited based on factors like adoption of new technologies (their impact on termination cost) and traffic patterns.

"Both these have not materialised. There are still over 400 million 2G customers from the poorest sections of society living in rural areas paying less than Rs 50 per month and who can still not afford to buy a 4G device. Second, there still is significant asymmetry of traffic," Airtel said.

"The announcement by one of the telecom service providers today to charge for calls made to other service providers to cover the termination charge of IUC is not only an action of undue haste but it also does not bring out the fact that interconnect is a settlement between operators and not a consumer pricing matter," Vodafone Idea said in a statement.