



**QUICKLY**  
**Pounded** Protesters chant slogans in front of the building of the Lebanese Association of Banks in Beirut on Thursday. The central bank Governor Riad Salameh said no one knows which way the country's exchange rate is heading, suggesting the pound's peg to the dollar is under grave threat **AP**

**FIH to meet CEOs of PSBs tomorrow**  
New Delhi, December 26  
Finance Minister Nirmala Sitharaman will hold a meeting with the heads of public sector banks on Saturday to review the financial performance of the lenders and their business growth, sources said. Given the importance of the banking sector in generating demand and boosting consumption, the sources said the meeting with the MD and CEOs of PSBs ahead of Budget 2020-21 is considered important. Sitharaman is expected to present her second full Budget on February 1. The meeting is also expected to discuss the recovery of non-performing assets through both NCLT and non-NCLT means, the sources added. **PTI**

# ICRA sees bank credit growth decelerating to 6.5-7% in FY20

Muted economic growth, lower working capital requirements, risk aversion among lenders impact incremental credit expansion

**OUR BUREAU**  
Mumbai, December 26  
Bank credit growth could decelerate to 6.5 per cent to 7 per cent during the current fiscal from about 13 per cent last fiscal due to limited incremental credit growth, ICRA said on Thursday.  
“A shift of large borrowers, such as non-banking financial companies and housing finance companies to the banking system for their funding requirements, had boosted bank credit growth in 2018-19,” the agency said in a statement on Thursday in its ‘Year End Outlook for the Banking Sector’.  
It further said that factors such as muted economic growth, lower working capital requirements, and risk aversion among lenders have

impacted the incremental credit growth in FY2020. According to ICRA, incremental bank credit increased only by ₹80,000 crore till December 6 this fiscal year to ₹9.8-lakh crore.

In contrast, incremental bank credit rose by ₹5.4-lakh crore and ₹1.7-lakh crore in the corresponding periods in 2018-19 and 2017-18.

The agency said that even in a high-growth scenario, where incremental credit may rise to ₹6.5-lakh crore to ₹7-lakh crore in the second half of the fiscal, it expects a 40 per cent to 45 per cent year-on-year decline in incremental net bank credit to ₹6.3-lakh crore to ₹6.8-lakh crore during this fiscal.  
“This will translate to a consider-



RBI data also showed that contraction in incremental credit outstanding to the services and the industrial segments offset the entire growth in credit to the retail segment during the first seven months of the fiscal

able deceleration in year-on-year bank credit growth to 6.5 per cent to 7 per cent during 2019-20 from 13.3 per cent during 2018-19 and 10.5 per cent during 2017-18,” it said. The recent data on bank credit released by the RBI also showed that contraction in incremental credit outstanding to the services as well as the industrial segments offset the entire growth in credit to the retail segment during the first seven months of the fiscal, the agency said.  
With regard to transmission of rates, ICRA said that as the banks have continued to cut the deposit rates since the beginning of the fiscal, it expects the cost of funds to decline further during the next one year. This, in turn, will translate to lower lending rates to spur credit growth.

## Aye Fin raises ₹107 cr from Swiss investor BlueOrchard

**OUR BUREAU**  
New Delhi, December 26  
Aye Finance, a fintech lender backed by Capital G (formerly Google Capital), has raised ₹107 crore as debt funding from Swiss-based impact investor, BlueOrchard.

BlueOrchard has been supporting Aye in its mission to enable the financial inclusion of micro enterprises since May 2017, and has taken a total exposure of ₹290 crore in the MSME lender. Aye will utilise this latest round of funds to extend affordable and customised credit solutions to the base of the pyramid businesses of India.

While the NBFC sector has been struggling to raise adequate funds for on-lending, Aye has remained unaffected and continues to draw interest from investors globally as well as those in India. Last month, the fintech lender raised ₹125 crore from Dutch development bank FMO.

Since its inception in 2014, Aye has provided ₹2,700 crore worth of credit to more than 1,96,000 grassroots busi-

nesses. BlueOrchard is a global impact investment manager, dedicated to fostering inclusive and climate-smart growth.

With a major global presence and offices on four continents, BlueOrchard has invested more than \$5 billion across 80 emerging and frontier markets, enabling tangible social and environmental impact.

Sanjay Sharma, MD and Founder of Aye Finance, said: “This is the sixth round of funds we have received from BlueOrchard, and I believe this demonstrates their comfort with and commitment to our business. Lending to micro enterprises has been a less-travelled-path for banks and financial companies and, hence, it is satisfying to have established an innovative paradigm of our lending approach.”

“Aye team has demonstrated the robustness of our cluster-based lending approach, having enabled the inclusion of close to 2 lakh micro enterprises using this approach.”

## PNB raises ₹1,500 cr via bonds

**PRESS TRUST OF INDIA**  
New Delhi, December 26

State-owned Punjab National Bank, on Thursday, said it has raised ₹1,500 crore by issuing Basel III-compliant bonds. The bank will use the funds for business expansion.

“The bank has issued and allotted ₹1,500 crore Tier-II Basel III-compliant capital bonds at a coupon of 8.15 per cent per annum on private placement basis,” PNB said in a regulatory filing.

The lender has issued 15,000 redeemable Basel III-compliant Tier II bonds in the nature of debenture of ₹10 lakh each, it said. To comply with Basel III capital regulations, banks need to improve and strengthen their capital-



planning processes. These norms are being implemented to mitigate concerns on potential stresses on asset quality and consequential impact on performance and profitability of banks.

The Indian banking system has been implementing Basel III standards in phases since April 1, 2013, and is expected to fully implement these norms by March 2020.

# RBI to buy, sell ₹10,000-cr G-secs on Monday in ‘Operation Twist’

**OUR BUREAU**  
Mumbai, December 26

The Reserve Bank of India will conduct its second special open market operation (OMO), entailing purchase of a long-dated Government of India Security (GSec) and sale of four short-dated GSecs for ₹10,000 crore each on December 30.

This OMO, which market players call ‘Operation Twist’, is expected to further soften the yields of long-term GSecs. The first special OMO was held on December 23. After thist OMO, yields had softened a bit

at the long-end of the GSec market.

In the latest round of special OMO, the RBI will purchase the GSec maturing in 2029 and carrying a coupon of 6.45 per cent for ₹10,000 crore under the multiple price auction method. It had purchased the same security in the last OMO.

The Reserve Bank will simultaneously sell four GSecs all maturing in 2020 but carrying four different coupon rates – 6.65 per cent, 7.80 per cent, 8.27 per cent and 8.12 per cent – under the multiple

price auction method. The central bank had sold these securities in the last OMO also.

When the RBI does an OMO purchase, it infuses liquidity into the financial system. But when it does OMO sale, the central bank absorbs liquidity. If it does simultaneous OMO purchase and sale, then for the same amount then there is no effect on liquidity, but the yields could either go down or up. GSec yield and price move in opposite directions.

The ‘Operation Twist’ comes in the backdrop of the RBI

maintaining a status quo on the policy repo rate at the fifth bi-monthly monetary policy review as against market expectation of a rate cut and G-Sec yields consequently going up.

At the special OMO for purchase of the 10-year benchmark GSec on December 23, the RBI received 161 bids aggregating ₹20,826 crore against the notified amount of ₹10,000 crore. The central bank accepted 145 bids for the notified amount at 6.5462 per cent cut-off yield and ₹99.30 cut-off price.

## Rupee down 4 paise vs \$

**PRESS TRUST OF INDIA**  
Mumbai, December 26

The rupee pared its early gains and settled lower by 4 paise at 71.31 against the US currency on Thursday amid heavy selling in domestic equities and steady rise in crude oil prices.

Month-end dollar demand and weakness in domestic equities weighed on the domestic currency, forex traders said.

At the interbank foreign exchange market, the rupee had opened higher at 71.26 against the US dollar. During the day, the domestic unit fluctuated between a high of 71.22 and a low of 71.35.

The rupee finally settled at 71.31 against the US dollar, lower by 4 paise over its previous close of 71.27 on Tuesday. The forex market was closed on Wednesday on account of the Christmas holiday.

# Now, an app to monitor your credit score

**KR SRIVATS**  
New Delhi, December 26

It is now possible to monitor your credit score for free using a mobile app and even get advice to improve the same.

Experian India, the Indian arm of global information services company Experian, has partnered with FPL Technologies, a fintech, to educate consumers on credit behaviour via the latter's OneScore mobile App, a credit-monitoring app.

This partnership will help consumers monitor, understand, and get insights into their credit score and report on a monthly basis. OneScore is an app with an AI-powered ‘score planner’ that helps consumers improve their score.

The app, which is available on both Android and iOS, analyses one's credit report and provides personalised tips on improving credit



The OneScore app, with an AI-powered ‘score planner’, will also help consumers improve their credit score. **ISTOCK**

score, apart from sending alerts whenever the score changes.

Commenting on the partnership with OneScore, Ashish Singhal, Managing Director, Experian Credit In-

formation Company of India, said: “At Experian, we believe that it is important for consumers to understand their credit report. Partnering with players such as OneScore gives

us the opportunity to educate consumers about the importance of a good credit score. It also helps us fulfill our goal of enabling financial access to credit, thereby putting con-

sumers in control of their credit reports.” Anurag Sinha, co-founder and CEO, FPL Technologies, said: “We are delighted to partner with Experian to educate consumers and create awareness around the importance of maintaining a healthy credit score. OneScore is a purist app, which means consumers are not spammed with promotions of third-party products.”

The mission of FPL Technologies is to make consumers more aware of their loans and credit and repayment trends to have a healthy credit score. The app also allows consumers to raise a query if there is any discrepancy in their report.

“We are optimistic that our partnership with Experian will help consumers understand the nuances of their credit report in a simplified manner and inculcate a credit discipline in them,” added.

## J&K Bank named lead bank convenor of J&K

**PRESS TRUST OF INDIA**  
Mumbai, December 26

The Reserve Bank, on Thursday, appointed Jammu & Kashmir Bank as the lead bank for the newly carved out Union Territory of Jammu and Kashmir. State Bank of India (SBI) will be the lead convenor bank for the Union Territory of Ladakh.

The government, through a gazette notification on August 9, had reorganised the erstwhile Jammu and Kashmir under the Jammu and Kashmir Reorganisation Act, 2019, into union territories of Jammu and Kashmir and Ladakh with effect from October 31.

“In view of the above, it has been decided to assign the UTLCB convensorship of the Union Territory of Jammu and Kashmir to Jammu & Kashmir Bank and the Union Territory of Ladakh to SBI,” the RBI said.

# Why the US corporate bond market’s \$100-billion benefactor is here to stay

**BOOMBERG**  
December 26

The US corporate-bond market's \$100-billion benefactor isn't going anywhere in 2020. Foreign demand will continue to underpin high-grade debt next year as global investors extend their hunt for higher-paying assets in the face of over \$11 trillion of negative-yielding securities around the world, according to market watchers.

“There is simply not enough high-quality income-producing assets to meet the demand,” said Mark Kiesel, chief investment officer of global credit at Pacific Investment Management Co.

“That’s the reason that credit did so well this year. It was not just the fact that the Fed and other central banks cut rates. The fact is that there is just that much demand.”

**Solid single-digit gains**  
While hardly anyone expects a repeat of 2019, which has seen blue-chip company bonds return more than 14

per cent – the most in a decade – many predict solid single-digit gains from a market they readily admit looks expensive by most conventional measures. That is partly based on the expectation that money managers outside the US will continue to pile in.

They have bought \$114 billion of bonds on a net basis this year through the third quarter, according to Federal Reserve flow of funds data.

Global central banks have cut interest rates roughly 90 times over the past year, the largest cumulative easing since the financial crisis, according to Canadian Imperial Bank of Commerce data.

While the Fed accounted for three of those, taking its policy rate down to a range of 1.5 per cent to 1.75 per cent, that is still higher than much of the rest of the developed world, including Japan and Europe, where rates are near or even below zero.

“It is very hard for the average foreign investor to survive – we are still at a point now



The average US investment-grade corporate bond yields 2.87 per cent, or about 1 percentage point more than Treasuries

where its max desperation,” said Hans Mikkelsen, head of high-grade credit strategy at Bank of America Corp.

Basically there is only one game in town for foreign investors, and that's the US corporate bond market.

A lower Fed funds rate also has its advantages. For one, it tends to make it cheaper for international buyers to protect against the risk of cur-

rency fluctuations. Three-month dollar-hedging costs based on forward contracts for euro- and yen-based investors have dropped significantly this year.

“That is a positive for demand from those investors staying pretty strong,” said Barry McAlinden, senior fixed-income strategist for the Americas at UBS Global Wealth Management. And if

rates continue to decline, as some forecasters expect, that will almost certainly bolster demand for relatively higher-paying assets such as US investment-grade company debt, market participants say.

The average US investment-grade corporate bond yields 2.87 per cent, or about 1 percentage point more than Treasuries.

In Europe, absolute yields on company bonds sit at just 0.47 per cent, similar to the 0.46 per cent that Japanese corporate debt pays.

That is why institutional investors such as Japan's Government Pension Investment Fund, the largest of its kind in the world, say they are preparing to buy more bonds outside local markets.

“They are being pushed out of Japan,” said Tetsuo Ishihara, a US macro strategist at Mizuho Financial Group Inc's fixed-income unit in New York, referring to Japanese institutional investors broadly. “There is nowhere else to go.”

## Global economic outlook for 2020 ‘not so rosy’, but another financial crisis unlikely

**AGENCE FRANCE-PRESSE**  
Paris, December 26

US political clouds, coupled with wider climate and digital transformations, point to a tricky 2020 for the world economy, although experts say a lurch back to crisis is improbable. The Organisation for Economic Co-operation and Development said last month that activity had been hobbled by weaker trade and investment in the past two years as US President Donald Trump pursued a trade war with China.

The OECD expects global growth to dip in the coming year to 2.9 per cent, its lowest level since the world recession of 2009. Trump appears to have struck a truce with China for now, under a “phase one” pact announced this month, but pre-existing tariffs remain in place and it will take time to demobilise their effects.

More broadly, the OECD contrasted proactive actions taken by central banks with the policy foot-dragging by governments in the face of climate change and the march of technology. Industrialists and investors are having to

correct their climate strategies even as Trump sits firm in his policy of denial. Oil giant Saudi Aramco recently had to trim back the volume of its gigantic share offering.

The International Monetary Fund was a little more optimistic in its latest World Economic Outlook, forecasting 2020 growth of 3.4 per cent, but warning nevertheless of a “synchronised slowdown and uncertain recovery”.

### Trump impeachment

Ludovic Subran, chief economist of German insurance giant Allianz, sees a global “purgatory of growth” coming up. Any systemic shock next year “will probably not be born in finance, but will be exogenous, for example, a big regulatory shock on personal data, or in relation to the climate,” he said.

If Trump survives the impeachment process and wins a second term, he could “double the bet against China” at the risk of military confrontation, Subran added. Trump and his potential challengers on the Democratic left are united in their hostility to

the free-trade and liberalisation agendas that, they argue, hollowed out industrial America over the past decades.

The mistrust is felt well beyond the US. “We are not worried about how to overcome a cyclical crisis, we know what to do,” said Ingo Kuebler, the staff representative at Mahle, a German automotive supplier that has already been forced to downsize as car buyers turn away from diesel engines.

### The big income gap

Since the financial crisis a decade ago, central bank policies have led to negative interest rates spreading in some countries, squeezing bank profitability and inflating private debt. With growth faltering, the debate about wealth distribution will likely become still more acute. Anger at inequality runs like a thread through protest movements from rich Hong Kong to developing Chile.

In 2018, according to Oxfam, 26 billionaires had as much money as the poorest half of the world.