

## 18 ECONOMY

RBI GOVERNOR SAYS GOVT HAS ADHERED TO PRINCIPLE OF FISCAL PRUDENCE

## Transmission of rate cuts improving; inflation spike factored in, says Das

ENS ECONOMIC BUREAU  
NEW DELHI, FEBRUARY 15

THE TRANSMISSION of rate cuts has been "steadily improving" and is expected to improve further in the coming months, Reserve Bank of India Governor Shaktikanta Das said on Saturday. Das also said the inflationary impact of government spending as outlined in the Union Budget for 2020-21 won't be much, adding the government has adhered to the principle of fiscal prudence.

"With regard to the impact of rate cut plateauing out, I would not entirely agree with that because transmission of rate cut has been steadily improving. If you recall, in December MPC when we met, the transmission to fresh rupee loans was in the order of about 49 basis points. In this monetary policy, we have said that it has improved to 69 basis points. It is the consequence of the rate cut, surplus liquidity that we ensure in the system and third, and very important, the external benchmarking which was brought into operation from October 1 onwards. Transmission is slowly and

EXPLAINED

## E RBI analysing MPC framework internally

AS THE term of the current monetary policy framework comes to an end in March next year, RBI Governor Shaktikanta Das said an internal review of its impact is being undertaken currently and, if required, the central bank will have a discussion with the government. Amid rising retail inflation levels, discussions regarding the medium-term target outlined in the monetary policy framework, which has been in operation for the past three-and-a-half years, will be closely watched.

steadily improving and it should improve even more in the coming months," Das said after the central board meeting where the Finance Minister addressed the board after the Budget.

The RBI has cut its policy rate by 135 basis points in the last one year. The RBI in its last monetary policy review meeting on February 6 maintained status quo on the key policy rates, citing growth-inflation dynamics. It had stated that the inflation was on a rising trajectory through the fourth quarter of 2019-20 and its outlook remains "highly uncertain."

When asked if the RBI is relooking at the inflation target set in the Monetary Policy Framework, given the rising inflation, the RBI Governor said an internal review of the impact of Monetary Policy Framework is being undertaken currently within the RBI and if required, the central bank will have a discussion with the government. "Monetary policy framework has been in operation for the past 3.5 years. Internally we are reviewing, we are analysing how MPC framework has worked over the last three-and-a-half years. There is al-

ready an internal review process going on. At the appropriate time if required we will have dialogue and discussion with the government. At the moment, it is under review within the RBI," he said.

As per the Monetary Policy Framework, the RBI's medium-term target for consumer price index (CPI)-based inflation is 4 per cent, with a band of plus or minus 2 per cent. The central government had notified the target for the period from August 5, 2016 to March 31, 2021, with the amended RBI Act providing for the inflation target to be set by the government of India, in consultation with the Reserve Bank, once in every five years.

On the impact of Budget on inflation, Das said the escape clause used by the government is well within the parameters set by the FRBM committee. "The direct inflationary impact of any Budget is fiscal deficit number, when borrowing goes up, but the government has adhered to the principle of fiscal prudence. The escape clause under FRBM Act, the deficit number in the current year as well as the next year are very much within the parameters set as per FRBM committee

recommendations. The good part of the government borrowing is also budgeted to come from small savings. Therefore, I don't see much of an inflationary impact," he said.

The RBI Governor said declining crude prices has definitely a positive impact on inflation and it will not lead to a spike in inflation. "The main reason for spike in inflation is because of food inflation, mostly milk, fish, and various protein related items. Core inflation has slightly edged up because of revision of telecom tariffs, so therefore, I don't see much of an impact (of Budget) on inflation," he said.

CPI-based retail inflation surged to 7.59 per cent in January as against 7.35 per cent in December. The spike in retail inflation was stoked by higher price levels of food items such as vegetables, eggs, meat and fish and fuels. The MPC has sharply raised consumer price inflation projection to 6.5 per cent for the fourth quarter of fiscal year 2020 from 5.1-4.7 per cent earlier. The panel pegged CPI inflation for the first half of FY21 at 5.4-5.0 per cent compared with 4-3.8 per cent earlier.

## Voda Idea says it will pay AGR dues, continuation of biz depends on SC order

ENS ECONOMIC BUREAU  
NEW DELHI, FEBRUARY 15

UNDER FIRE from Supreme Court (SC) for failing to pay adjusted gross revenue (AGR) dues by the stipulated deadline of January 23, Vodafone Idea on Saturday said it was ready to pay the AGR dues. In a filing with the exchanges, the company said it was assessing the amount it would have to pay to the Department of Telecommunications (DoT) and that it would pay the amount so assessed by it within "the next few days".

The company, however, again reiterated that its ability to "continue as a going concern" was dependent on the outcome of its modification plea for the order, which had asked them to pay the AGR dues within three months.

On Friday, both the DoT and the telecom companies faced the ire of the SC for not having paid the AGR dues on time. A three-judge Bench headed by Justice Arun Mishra also issued show-cause notice to the companies for not having paid the AGR dues on time.

In its written order on Friday, the three-judge Bench later said all companies should, by March 17, comply with earlier directions to make the AGR payments, failing which the Managing Directors (MD) and directors of these com-

## 'DoT to take penal action for delay in statutory dues payment'

New Delhi: The telecom department is mulling penal action against telecom operators for failing to pay in time the AGR dues as directed by the Supreme Court, as per an official source.

With Saturday being a

holiday in various offices, the DoT is likely to wait till Monday evening for the payment before sending out the next set of notices with updated penalty and other punitive action as per the licence norms, the source said. PTI

summing. We are confident we will complete the self-assessment exercise shortly and make the balance payment, well before the next date of hearing," the firm had said in its letter to the DoT.

On October 24, 2019, the SC upheld the DoT's definition of AGR and said since the licensees had agreed to the migration packages, they were liable to pay the dues, the penalty on dues, and the interest on penalty due to the delay in payments. The SC had then given the telcos three months to clear their AGR dues. That deadline ended on January 23, before which the telcos unsuccessfully tried to persuade the DoT to give them more time.

Meanwhile, industry body COAI Saturday asserted the Centre has "vast powers and options" to address the sector's issues, even in the light of the SC order.

## Das says will discuss internally if any issues arise out of SC order

PRESS TRUST OF INDIA  
NEW DELHI, FEBRUARY 15

RBI GOVERNOR Shaktikanta Das Saturday said the central bank will have internal discussions in case there are any issues arising out of the Supreme Court order regarding adjusted gross revenue (AGR) dues to be paid by telecom firms.

Das did not offer any specific comments about the order.

"It's a Supreme Court order and I would not like to comment on an order issued by the apex court and its consequences this way or that way. This is an order of the apex court. Whatever implication etc, it is internal matter of the RBI to examine. It will be internally deliberated, if at all there's an issue which arises out of that (order)," he said.

## BRIEFLY

## Interest on delayed GST payment

New Delhi: Interest payable on delayed payment of GST will henceforth be calculated on net tax liability and the law is being amended to give effect to it, the Central Board of Indirect Taxes and Customs said on Saturday.

## 'Markets can help achieve \$5tn economy'

New Delhi: The capital market is robust and can play a crucial role in achieving the goal of \$5-trillion economy by 2025, Minister of State for Finance Anurag Thakur said on Saturday.

## 'Global scenario not rosy, will impact MFs'

Kolkata: The ongoing tension between the US and China, which has been affecting the global trade, will have its impact on the emerging markets and will not spare the mutual fund industry too, said Sebi whole-time member G. Mahalingam. PTI

## Airbus 'deeply regrets' US tariff increase

Paris: Airbus said Saturday it "deeply regrets" Washington's move to increase tariffs on its planes imported into the United States from Europe. Friday's decision to hike tariffs to 15 per cent from March 18 "further escalates trade tensions between the US and the EU", the company said. AFP

## 'Govt monitoring farm credit given by banks'

ENS ECONOMIC BUREAU  
NEW DELHI, FEBRUARY 15

THE GOVERNMENT is monitoring agricultural credit given by banks in rural areas, said Finance Minister Nirmala Sitharaman on Saturday. She added the government expects to meet the increased target of Rs 15 lakh crore for the next fiscal year.

The government in Budget 2020-21 raised the farm loan disbursal target by 11 per cent to Rs 15 lakh crore for the next fiscal and allocated Rs 1.6 lakh crore to implement various plans in agriculture and allied sectors amid the stated goal of doubling farmers' income by 2022.

The government has allocated Rs 75,000 crore for the PM-KISAN scheme for the next fiscal, which is same as the Budget Estimate for this fiscal, but higher than revised estimate of Rs 54,370 crore.

"Credit limit has been expanded. I am sure it is based on local ground level requirement... we expect the demand to grow and credit requirements to also meet



(From left) Minister of State for Finance Anurag Thakur, Finance Minister Nirmala Sitharaman, and RBI Governor Shaktikanta Das during the RBI Central Board meeting at RBI headquarters in New Delhi on Saturday. Praveen Khanna

up with it. I am actually closely monitoring banks and their extension of credit facility particularly to rural areas. So I think we'll be able to meet that," she told reporters after addressing the central board of RBI here. The farm credit target for the current fiscal has been set at Rs 13.5 lakh crore. Normally, farm loans attract an interest rate of 9 per cent. But

the government is providing a 2-per cent interest subsidy to ensure farmers get short-term farm loan of up to Rs 3 lakh at an effective rate of 7 per cent per annum.

With regard to proposed consolidation of public sector banks, the Finance Minister said there was no discussion on the issue at the RBI board meeting on Saturday. "I don't see any reason

to go back or any reason which is particularly causing any delay for any notification... you will hear on it as it when it comes," she said.

In August last year, the government announced merger of 10 public sector banks into four. United Bank of India and Oriental Bank of Commerce are to be merged with Punjab National Bank, making the proposed entity the second largest public sector bank (PSB) from April 1 this year.

It was also decided to merge Syndicate Bank with Canara Bank, and Allahabad Bank with Indian Bank. Similarly, Andhra Bank and Corporation Bank are to be consolidated with Union Bank of India.

In April 2019, Bank of Baroda, in the first three-way merger exercise, amalgamated Vijaya Bank and Dena Bank with itself.

SBI had merged five of its associate banks — State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore and State Bank of Hyderabad as well as Bharatiya Mahila Bank with itself effective April 2017.

## As coronavirus fails to ease, interest rises in 'force majeure'

With the coronavirus outbreak that originated in Hubei province, China, showing no signs of abating any time soon, some companies that buy and sell goods in the Chinese market are taking interest in the legal defense of "force majeure"



## WHAT IS FORCE MAJEURE?

Force majeure refers to unexpected external circumstances that prevent a party to a contract from meeting their obligations. Declaring force majeure may allow a party to a contract to avoid liability for non-performance.

## IS CORONAVIRUS OUTBREAK A FORCE MAJEURE EVENT?

Legal experts said the coronavirus likely qualifies, but any company invoking force majeure would need to show that it is effectively impossible to perform their contractual duties as a result of the outbreak

## HOW IS FORCE MAJEURE INVOKED?

■ Cross-border deals typically include clauses that allow for non-performance during force majeure events. These clauses are

sometimes cut and paste and not reviewed as carefully as they ought to be.

## WHO DECIDES WHAT HAPPENS NEXT IF FORCE MAJEURE IS DECLARED?

■ Cross-border deals often stipulate that disputes arising out of the contract will be decided by a particular court or arbitration body. ■ In practice, foreign firms doing business in China may be better off avoiding litigation and negotiating a compromise.

## HAVE ANY COMPANIES INVOKED FORCE MAJEURE OVER CORONAVIRUS?

■ China National Offshore Oil Corp has invoked force majeure to suspend contracts. ■ Oil major Total has rejected a force majeure notice from an unnamed Chinese LNG buyer. Source: Reuters

## RBI changes accounting year, interim dividends may stop

GEORGE MATHEW  
MUMBAI, FEBRUARY 15

AFTER NEARLY eight decades, the Reserve Bank of India (RBI) has decided to change its accounting year from July-June to April-May. While the RBI accounts will now be aligned with the central government accounts, this move is likely to obviate the RBI's need to transfer an interim dividend to the central government, a practice which has been adopted in the past few years.

Accordingly, the next accounting year will be a nine-month period which starts from July 2020 and ends on March 31, 2021. Thereafter, all the financial years will start from April every year, the RBI said on Saturday.

"The board recommended aligning the financial year of the RBI, currently July-June, with the Government's fiscal year (April-March) from the year 2020-21 and approved forwarding a proposal to the Government for its consideration," it said.

The Bimal Jalan Committee on Economic Capital Framework (ECF) of the RBI had proposed a more transparent presentation of the RBI's annual accounts and change in its accounting year from July to June to April to March from the financial year 2020-21. The panel's report, which was accepted by RBI board, noted that changes in the format of presentation of the balance sheet would need necessary amendments to the RBI General Regulations. "The information may, therefore, be

presented as a Schedule to the balance sheet till such time the processes for completing a change in the style of balance sheet presentation are formalised," it said. The committee had recommended that the RBI accounting year (July to June) may be brought in sync with fiscal year (April to March) from 2020-21. "The RBI would be able to provide better estimates of the projected surplus transfers to the government for the financial year for budgeting purposes," the committee said.

Experts said the change in the fiscal year could reduce the need for interim dividend being paid by the RBI. The payment of an interim dividend may then be restricted to extraordinary circumstances, the Jalan panel said.

## Bombay HC asks Finance Ministry to enhance debt recovery tribunals

OMKARGOKHALE  
MUMBAI, FEBRUARY 15

THE BOMBAY High Court (HC) recently observed that it is useless to say the economy will grow when funds of banks and financial institutions are stuck due to delays in resolution of cases in forums due to lack of staff and infrastructure. Noting this, the HC directed the Finance Ministry to look into the enhancement of the Debt Recovery Tribunal (DRT) in Mumbai and other cities.

DRTs are constituted under the Finance Ministry to enable banks and other financial institutions re-

cover their debt from borrowers in a speedy manner.

A Division Bench of Chief Justice Pradeep Nandrajog and Justice Bharati Dangre passed order in pleas filed by Kotak Mahindra Bank and International Asset Reconstruction claiming that their original applications for recovery are meandering in the corridors of DRT since 1999 and are not being considered.

The Bench was irked noticing a near 20-year delay by DRT and said the original application before tribunal has not reached its destination. Writ pleas filed through advocate Rohit Gupta and Vinay Deshpande sought directions

from HC to direct Finance Ministry to expedite hearing on their applications.

The Bench directed the petitioners to append its order, along with their pleas, and forward it to the Finance Ministry represented by advocates Rui Rodrigues and Mohammedali Chunanawa, who will place them before the FM — who is expected to pass necessary directions, the court said.

Moreover, disposing of writ pleas, the HC directed DRT Mumbai to expedite hearing in original applications from 1999. Earlier, it had raised concerns over functioning of another tribunal dealing with financial disputes.

## 'India will transform from data poor to data rich in 5 years'

EXPRESS NEWS SERVICE  
BHUBANESWAR, FEBRUARY 15

THE INDIAN Railways is leaning on technology to focus on the satisfaction of employees and passengers as well as in train operations to ensure safety, punctuality and line capacity, said Puneet Chawla, RailTel chairman and managing director, on the second day of Express Technology Sabha in Bhubaneswar.

Stating that RailTel was the fifth-largest telecom infrastructure provider in the country, Chawla, who gave the keynote address, listed examples such as "video walls, WiFi, CCTVs, e-of-



RailTel CMD Puneet Chawla at Express Technology Sabha in Bhubaneswar on Saturday. Express photo

ice and computer based signalling used in railway operations" and said the future of technological engagement with railways could include "IoT platforms, big data and artificial intelligence".

Chawla also highlighted the story of a luggage porter in Kerala, who cleared the state Public Service Service Commission with help from free WiFi available at the station.

Chawla was followed by Abir Banerjee, country manager, Aruba, who said: "India will transform from 'data poor' to 'data rich' in 5 years, allowing data-driven decision making for scale and inclusion". He called on organisations to be mobile first, cloud first and IoT-centric.

Pratibha Singh, from the National Informatics Centre, Odisha, said the organisation has recalibrated itself as per the state's 5T (Technology, Transparency, Teamwork, for Timebound Transformation).

She spoke about the importance of technology in agriculture and farmer empowerment in the state as well as revenue and disaster management.

Gautam Ghosh, deputy director-general, Department of Food and Public Distribution, said an end-to-end computerisation of the Public Distribution System includes grievance redressal, allocation generation process and transparency portal.

Ghosh also told the gathering that while 27 states across the country have adopted supply chain automation, 4.58 lakh fair price shops have already installed PoS machines.

Express eGovernance Recognition Awards were won by Office of the Deputy Commissioner, South West Garo Hills District, Govt of Meghalaya in the 'Analytics/Big Data' category; Government of Telangana for the 'Artificial Intelligence' category; Department of IT & Electronics, Government of West Bengal in the 'Artificial Intelligence' category; and Government of West Bengal for the 'Analytics/Big Data' category.