

# 14 ECONOMY

CORPORATE WATCH

## CENTRE TO RESTRUCTURE SFIO

New Delhi: The government is set to more than double the manpower at the Serious Fraud Investigation Office (SFIO) to nearly 350 as it continues efforts to curb corporate wrongdoings, Corporate Affairs Secretary Injeti Srinivas said. **PTI**

## LENDING RATE FOR OLD BORROWERS REMAINS UNCHANGED IN 12 MONTHS

# Private banks lag in cutting lending rates, but slash deposit rates faster than PSBs

SANDEEP SINGH & SUNNY VERMA  
NEW DELHI, MARCH 8

EVEN AS the RBI cut repo rate by 135 bps from 6.5 per cent to 5.15 per cent in calendar year 2019, data released by the central bank shows that the weighted average loan rate (WALR) on outstanding loans for private sector banks has seen no decline between January 2019 and January 2020.

By comparison, the same for state-owned banks declined by 21 bps from 9.8 per cent to 9.59 per cent.

However, when it comes to cut in deposit rates, private banks seem to have taken the lead. Data from the Reserve Bank of India (RBI) shows that in the 12-month period, while public sector banks (PSBs) cut the weighted average domestic term deposit rates on monthly term deposit by 29 basis points (bps), that for private banks came down by 51 bps.

As for the lending rates, when it comes to fresh loans, private banks have been largely in sync with the state-owned counterparts, albeit a little slower, in the quantum of transmission of rate cuts. While the WALR on fresh loans for private banks came down by 50 bps in the 12-month period, that for PSBs came down by 62 bps.

Banking industry executives said transmission is relatively faster on fresh loans, but that on

MONTH-END	WEIGHTED AVERAGE LENDING RATE ON OUTSTANDING LOANS		WEIGHTED AVERAGE TERM DEPOSIT RATES	
	PUBLIC SECTOR BANKS	PRIVATE SECTOR BANKS	PUBLIC SECTOR BANKS	PRIVATE SECTOR BANKS
Jan '19	9.8	11.06	6.8	7.24
Feb '19	9.8	11.02	6.79	7.24
Mar '19	9.81	11	6.77	7.24
Apr '19	9.84	11.11	6.77	7.23
May '19	9.82	11.12	6.78	7.21
Jun '19	9.82	11.11	6.79	7.22
Jul '19	9.83	11.11	6.74	7.19
Aug '19	9.83	11.12	6.79	7.15
Sept '19	9.8	11.12	6.79	7.1
Oct '19	9.78	11.14	6.69	7.03
Nov '19	9.75	11.12	6.65	6.89
Dec '19	9.6	11.06	6.5	6.82
Jan '20	9.59	11.06	6.51	6.73

Source: Reserve Bank of India

outstanding portfolio takes time to adjust to new regime.

"When we grant loans, our interest cost is tied up immediately. For example, for home loan given 5 years ago, the bank treasury would have locked in rates prevalent at that time even for the bank," an executive with a private bank said.

Banks typically charge conversion fee from customers to move them to a lower rate to partially account for the rate differ-

ential. However, not many customers are aware of this facility, leading to rigidity in downward movement in loan rates. It is, however, interesting to see that WALR on outstanding loans for private banks did not see even a single basis point decline between January 2019 and January 2020.

In order to improve rate transmission, the RBI's Monetary Policy Committee, on February 7, announced several measures to

## EXPLAINED Some rate cuts transmitted to fresh loans

ON SEVERAL occasions, RBI has pointed out the delay in transmission of cut in lending rates by scheduled commercial banks. While there has been some transmission in case of fresh loans by private banks, the fact that there has been no decline in WALR on outstanding loans by private lenders is something that RBI needs to look into.

At the same time, private banks seem far more aggressive than PSBs when it comes to cutting deposit rates.

boost credit flow and liquidity in the markets. To put downward pressure on rates, RBI announced a cash reserve ratio (CRR) exemption on incremental retail loans in the automobile, housing and MSME sectors till July 31, 2020.

It also decided to introduce

long-term repo operations which enabled banks to raise funds at lower rates from the central bank. At present, banks are supposed to keep 4 per cent of deposits with the RBI as CRR which doesn't carry any interest.

The CRR exemption in certain incremental loans followed a deceleration in credit growth to the retail sector.

The transmission of rate cuts has been "steadily improving" and is expected to improve further in the coming months, RBI Governor Shaktikanta Das had said on February 16 after the central board meeting, where Finance Minister Nirmala Sitharaman addressed the board after the Budget.

"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 steadily improving and it should improve even more in the coming months," Das said.

## AIMED AT DELOGGING NCLTs TO SPEED UP CASES

# Panel proposes raising default threshold of cos to ₹50 lakh to initiate insolvency proceedings

KARUNJIT SINGH  
NEW DELHI, MARCH 8

A HIGH-LEVEL government panel has recommended that the default threshold for initiation for insolvency proceedings against companies under the Insolvency and Bankruptcy Code (IBC) be increased to Rs 50 lakh from Rs 1 lakh, government officials said. The report of the Insolvency Law Committee, which is set to be submitted to Finance Minister Nirmala Sitharaman, has also recommended a lower threshold of Rs 5 lakh for initiation of insolvency against micro, small and medium enterprises (MSMEs).

Officials said one of the main intentions behind the recommendation is to declog the National Company Law Tribunals (NCLTs), which adjudicate insolvency proceedings under the IBC, to speed up cases.

One of the major criticisms of the insolvency legislation, brought into force in 2016, has been that most cases have taken longer than the 330-day time limit for resolution notified by the government. "The committee has recommended that the threshold be increased to Rs 50 lakh and Rs 5 lakh in the case of MSMEs," said an official aware of developments.

Another official noted that this would also help in preventing frivolous insolvency cases.

## ₹5 LAKH THRESHOLD FOR MSMEs

The report of the Insolvency Law Committee, which is set to be submitted to Finance Minister Nirmala Sitharaman, has also recommended a lower threshold of Rs 5 lakh for initiation of insolvency against micro, small and medium enterprises

An official also said that the panel had made recommendations that the 'fresh start' process for personal insolvency, which is intended to discharge the liabilities of individuals with low incomes and assets, be resolved outside of the judicial system

Experts said that the move would help reduce the case load on NCLTs going forward.

"Any increase in the threshold limit to a more material level is a welcome move that will help reduce the flow of fresh cases and burden on the judicial system and participants," said Uday Bhansali, president—financial advisory at Deloitte India.

The government official quoted above also said that the panel had made recommendations that the 'fresh start' process for personal insolvency, which is intended to discharge the liabilities of individuals with low incomes and assets, be resolved outside of the judicial system.

Provisions under the IBC allow for individual debtors with a maximum annual income of Rs 60,000, total assets below Rs 20,000 and total debts under Rs 25,000 to be discharged of their debts.

The fresh start process, how-

ever, only applies to unsecured debt. Insolvency provisions for individuals are expected to be brought into effect within 2020.

"The panel has recommended that the process not include insolvency professionals which may make the process costly, but that such debtors be able to file applications that are handled by administrative officers instead of going through to court," said the official.

Another official told *The Indian Express* that the report noted that operational creditors should not be provided voting rights in the committee of creditors (CoC) of a company undergoing insolvency, but that this may be considered in the future if it does not undermine the insolvency process.

Operational creditors including suppliers of goods and services currently do not have a voting right in the CoC, which constitutes of financial creditors.

## BRIEFLY

### Indian banks well capitalised, assures CEA

New Delhi: Allaying concerns over banking sector health in the wake of Yes Bank fiasco, Chief Economic Adviser Krishnamurthy Subramanian on Sunday said Indian banks are well capitalised and there is no reason to worry. He further said that it is a wrong method to assess a lender's health based on the ratio of deposit to m-cap (market capitalisation). "What I want to emphatically state that the m-cap ratio is a totally incorrect metric for assessing the safety of the banks. No banking sector expert or banking regulator uses this measure," Subramanian said while speaking to select media-persons at his office here.

### Discussion on S&DT at WTO meeting

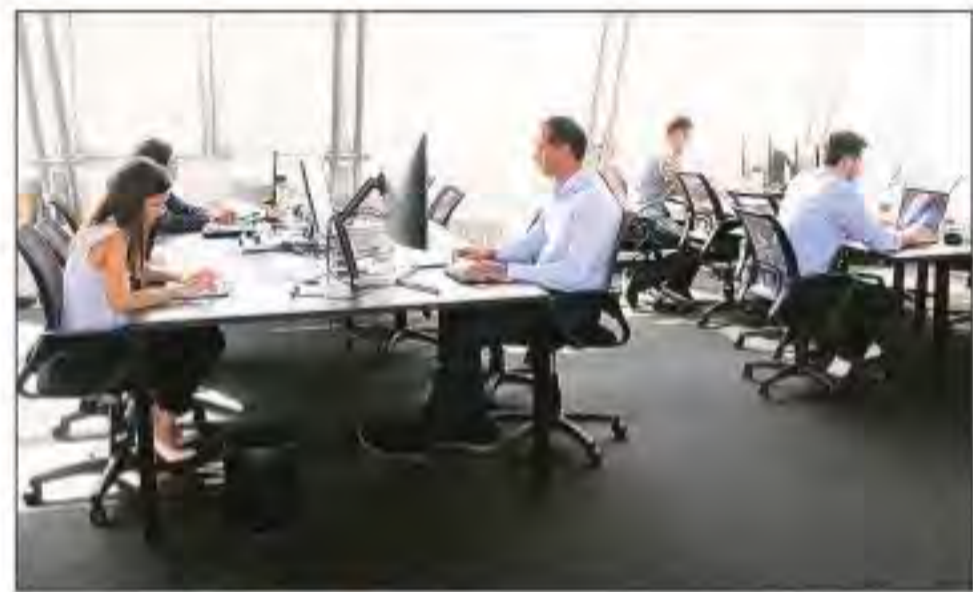
New Delhi: Special and differential treatment (S&DT) for developing countries like India will figure prominently in the World Trade Organization's (WTO) 12th Ministerial Conference meet in June in Kazakhstan, an official said. The Ministerial Conference is the highest decision-making body of the 164-member WTO. Trade ministers of all the member countries participate in the deliberations. The 12th Ministerial Conference will take place from June 8-11 this year at Nur-Sultan in Kazakhstan. "This time, besides fishery subsidies, special and differential treatment and investment facilitation will figure in the meeting," the official said.

### Tata Steel placing orders outside China

Kolkata: Tata Steel, which has been sourcing consumables from China, has started placing orders for materials in alternative markets in the wake of coronavirus outbreak in the neighbouring country, managing director and CEO TV Narendran said, adding that the company has already undertaken a risk assessment. **PTI**

## 'Net office space leasing may fall up to 14% in 2020'

Net leasing of office space could decline by up to 14 per cent this year across seven major cities on estimated fall in supply, property consultant JLL India said



## Concern on deposits based on flawed analysis: RBI

ENS ECONOMIC BUREAU  
MUMBAI, MARCH 8

THE RESERVE Bank of India (RBI) on Sunday assured bank depositors that their money is safe in any bank.

"The RBI closely monitors all the banks and hereby assures all depositors that there is no such concern of safety of their deposits in any bank," the central bank tweeted on Sunday, amid

**The RBI tweeted that solvency of banks is internationally based on Capital to Risk Weighted Assets and not on market cap**

reports about the safety of deposits in some banks.

"Concern has been raised in

**40%**  
RISE IN NET OFFICE SPACE LEASING IN 2019, FROM 33.2 MILLION SQ FT IN 2018 TO 46.5 MILLION SQUARE FEET

**>40 MILLION SQ FT**  
ESTIMATED NET OFFICE SPACE LEASING IN 2020

**50%**  
SHARE OF IT-ITeS OCCUPIERS WITHIN TOTAL PRE-COMMITMENT LEASES ACROSS MOST TOP OFFICE MARKETS IN INDIA IN 2020

**SEVEN MAJOR CITIES WHERE OFFICE LEASING IS TRACKED:**  
■ Delhi-NCR

**45%**  
RISE IN NEW OFFICE SPACE SUPPLY LAST YEAR, FROM 35.7 MILLION SQ FT DURING 2018 TO 51.6 MILLION SQ FT

- Mumbai
- Bengaluru
- Chennai
- Hyderabad
- Pune
- Kolkata

**Strong activity among corporates, co-working operators:** Pre-leasing or pre-commitment of office space by corporates and co-working operators remains strong despite the economic slowdown

Source: JLL India/PTI



certain sections of media about safety of deposits of certain banks. This concern is based on analysis which is flawed," the RBI tweeted. "Solvency of banks is internationally based on Capital to Risk Weighted Assets (CRAR) and not on market cap," it added.

"Let me assure you that our banking sector continues to be sound and safe. We stand committed to maintaining stability of financial and banking sector," RBI Governor Shaktikanta Das had said on the sidelines of an event organised by Assocham on Friday.

Last week, the RBI superseded the board of troubled Yes Bank and appointed an administrator. It had assured Yes Bank customers of "swift" action and a scheme "very shortly", in less than 30 days, even as thousands of customers rushed to withdraw funds and queued up at overcrowded branches across the country.

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# Vivad se Vishwas: Govt tries to fix liability, PSUs worry about fund stress

KHUSHBOO NARAYAN  
MUMBAI, MARCH 8

IN AN attempt to resolve direct tax disputes worth Rs 2.4 lakh crore pertaining to central public sector undertakings (CPSUs), under the newly launched amnesty scheme Vivad se Vishwas, the Income-Tax Department has made the financial heads of the units sign a document that fixes the tax liability of these firms, sources told *The Indian Express*.

This document, called 'Joint Certification of Amount Payable', is being signed between principal-I-T commissioners and executives of the rank of chief financial officers at CPSUs.

The move has raised concerns among CPSUs, which fear that settlement under the scheme will affect their capital

## OIL MARKETING PSUs TOP LIST

Sources said public sector oil marketing companies top the list of firms with the highest amount of tax disputes with the government

If the tax department is able to persuade the CPSUs to come on board, it may be able to unlock at least ₹1 lakh crore or 50% of the total collection target of ₹2 lakh crore set by CBDT

reserves and weaken their balance sheets.

Public sector banks, which have been reeling under the bur-

den of huge non-performing assets, have already expressed their reluctance over settlement under the scheme.

Sources said public sector oil marketing companies top the list of firms with the highest amount of tax disputes with the government. If the tax department is able to persuade the CPSUs to come on board, it may be able to unlock at least Rs 1 lakh crore or 50 per cent of the total collection target of Rs 2 lakh crore set by the Central Board of Direct Taxes (CBDT) under the amnesty scheme by March 31.

At a recent meeting of top-I-T officers chaired by the Revenue Secretary, it was decided that starting March 9, the Cabinet Secretary will hold talks with the managing directors of these CPSUs, based on the tax liability document, and ask them to pay up and settle the cases under the

amnesty scheme, said sources. The Vivad se Vishwas scheme seeks to reduce about 4.8 lakh tax disputes involving an amount of Rs 9.32 lakh crore (up to November 30, 2019) by giving taxpayers the chance to escape interest on the disputed tax amount and any penalty.

Meanwhile, the Income Tax Employees Federation and the Income Tax Gazetted Officers' Association, which together constitute 97 per cent of the workforce in the department, have threatened a series of protests against the CBDT's move to bring all disputed cases under the Vivad se Vishwas scheme and linking its success to the performance of officials in collecting money under the scheme to their future postings.

The CBDT had issued a memorandum last month linking the performance of officials in collecting money under the scheme to their future postings.