

ETW 3rd to 9th January 2019

➤ **Unemployment rises and labour participation goes down (IE 7/1/19)**

- The estimates are given by the CMIE
- The Unemployment rate has jumped to 27-month high of 7.38% in December 2018 (was 6.6% in November 2018 and 4.7% in December 2017), it is highest since September 2016 when it was 8.4%. Apart from this, the labour participation rate has dipped
- The employed population has fallen from 40.78 Cr in December 2017 to 39.69 Cr in December 2018 i.e. declined by 1.09 Cr
- Large part of the decline in employment in the last 12 months has been on account of job losses in rural areas i.e. of the 1.09 Cr job losses, 91.4 lakh or 83% were lost from rural areas
- The labour force participation rate has come down from 43.57% to 42.47% in December 2018 (compared a year ago)

➤ **IBC recovery (TH 4/1/19)**

- The govt is expecting a recovery of ₹ 70000 Cr from the 12 big companies that were identified for bankruptcy proceedings by RBI under the IBC
- As per the RBI data, these 12 companies are estimated to account for over 25% of the gross NPAs in the banking system
- So far 1322 cases have been admitted by the NCLT, 4452 cases have been disposed of at pre-admission stage and 66 cases have been resolved after adjudication
- The effectiveness of IBC has been because of three factors
 - Debtors have been paying off debt in anticipation of default in which case they would end up losing the management (if dragged to NCLT)
 - The petition once filed by creditors has led to the debtors paying off to prevent the declaration of insolvency
- Many major cases have been resolved or are being moved to liquidation

➤ **Dollar Bond issuance slows down (BS 9/1/19)**

- With volatility in the rupee exchange rate, the issuance of dollar bonds by Indian companies has been affected. Besides, rupee depreciation means that hedging costs for Indian companies was high
- The dollar bond issuance in 2017 was \$13.11 bn, has come down to \$6.09 bn in 2018
- This doesn't mean that the companies cut down the fundraising, as they raised the money from the domestic market

- Total funds raised by domestic companies was ₹ 9.39 tn in 2017, came down to ₹ 8.63 tn for 2018

➤ **Issues with the present IBC (BL 8/1/19)**

- In about 30% of the cases, the 270-day time limit has been breached
- Under the IBC, the owners used to lose the management and ownership of the company. With amendment of section 29, it was thought that the loopholes would be fixed. After the amendment, the promoters have been able to arrange the proxies and value the asset at 20 to 40% of the outstanding liability
- Some buyers are going beyond their financial capabilities and are unable to make the initial payment after successfully acquiring the companies during the insolvency procedure. Such practices have to be checked
- Because of the lack of the existing jurisprudence, different NCLT benches are giving different rulings which are creating confusion and conflicts
- There have been certain instances of the insolvency professionals misusing their authority

➤ **Nilekani to head RBI panel on digital payments (TH 9/1/19)**

- RBI has set up a 5-member panel headed by Mr Nandan Nilekani to give recommend a strategy for deepening of digital payments in the country
- The committee will submit a report in 90 days from the date of its first meeting
- As per the terms of reference, the committee will
 - Review the existing status of digitisation of payments in the country
 - Identify the current gaps in the ecosystem
 - Suggest ways to bridge the gaps
 - Make cross country comparison and recommend ways to accelerate digitisation and financial inclusion through greater use of digital payments
 - Recommend measures to strengthen the safety and security of digital payments
 - Provide a roadmap for increasing customer confidence while accessing financial services through digital modes