

December 22nd news:

International:

128 countries, including India, vote to reject US decision on Jerusalem

India was one of the 128 nations on 21st December voted in favour of the UN General Assembly resolution to declare the US recognition of Jerusalem as Israel's capital "null and void". Victory for the Palestinians, was significantly lower than its supporters had hoped for, with many forecasting at least 150 "yes" votes. It is noteworthy that 21 countries were absent and only nine countries voted in favour of the US proposal to shift Israel's capital to Jerusalem.

National:

2G verdict: All 17 acquitted for lack of evidence; CBI to move Delhi HC

A Special Court on 21st December ruled that the Central Bureau of Investigation (CBI) and the Enforcement Directorate (ED) had failed to prove charges of corruption, abuse of position, conspiracy, and money laundering against former telecom minister Andimuthu Raja, industry captains, including Essar promoters Ravi Kant Ruia and Anshuman Ruia, and former bureaucrats in the so-called second generation or 2G spectrum allocation scam

The judgment acquitting all 17 accused (individuals and companies), that took the world by surprise, came eight years after investigations began into the alleged scam in 2009. CBI has decided to move the Delhi High Court against the order.

The court also exonerated Rajya Sabha MP K Kanimozhi, who is daughter of former Tamil Nadu chief minister and Dravida Munnetra Kazhagam (DMK) patriarch M Karunanidhi, and her stepmother Dayalu Ammal in the money laundering case. The acquittal is expected to boost the prospects of DMK in Tamil Nadu.

The CBI had begun investigating the spectrum allocation case after registering a case on October 21, 2009, against unknown government officials and private entities. The CBI's case was based on a report from the Comptroller and Auditor General (CAG), then headed by Vinod Rai. The CAG report claimed that arbitrary allocation of 122 spectrum licences, based on first-come, first-serve policy, by the UPA government had caused the exchequer a "presumptive" loss of Rs 1.76 lakh crore.

The Special CBI Judge Saini blamed the CBI for a "choreographed" charge sheet and Department of Telecommunications (DoT) officials for their inaction.

The judge also acquitted Ravi Ruia and Anshuman Ruia of the Essar Group as well as I P Khaitan and Kiran Khaitan of Loop Telecom. Essar Group director Vikash Saraf was also acquitted. The CBI had alleged that Ruia and the Khaitans had violated clause 8 of UASL (unified access services licence) guidelines and used Loop Telecom to apply for new telecom licences. Ruia and Khaitans held 33 per cent of Vodafone Essar (now Vodafone India) at the time of grant of licences to Loop Telecom.

According to the Clause 8 of the UASL guidelines, “no single company/legal person, either directly or through associates, shall have substantial equity holding in more than one licensee company in the same service area for access services - basic, cellular, and unified access service”.

Bilateral:

India-Swiss data sharing from Jan. 1

In a move aimed at combating black money stashed abroad, India signed an agreement with Switzerland on 21st December that would allow automatic sharing of tax-related information from January 1 next year, the CBDT said.

With the completion of the parliamentary procedure in Switzerland and signing of mutual agreement, India and Switzerland are set for automatic exchange of information for the period beginning from January 1, 2018

The policy-making body for the Income Tax Department said the agreement was signed by CBDT chairman Sushil Chandra and Swiss Ambassador to India Andreas Baum at the North Block

A joint declaration for the implementation of Automatic Exchange of Information was signed last month between the two sides here, and it provided that both countries would start collecting data in accordance with the global standards in 2018 and exchange it from 2019 onwards.

Economy:

India's financial sector facing considerable challenges: IMF

India's financial sector is facing considerable challenges with high non-performing assets and slow deleveraging and repair of corporate balance sheets testing the resilience of the banking system and holding back growth, the IMF on 21st December

After its Executive Board discussed the Financial System Stability Assessment (FSSA) of India, the IMF in a report said India's key banks appear resilient, but the system is subject to considerable vulnerabilities.

The financial sector is facing considerable challenges, and economic growth has recently slowed down. High non- performing assets (NPAs) and slow deleveraging and repair of corporate balance sheets are testing the resilience of the banking system, and holding back investment and growth

The last FSSA for India was done in 2011. Conducted jointly by a team of the IMF and the World Bank, the Financial Sector Assessment Programme aims at having a very comprehensive and in-depth view of the financial system in countries with big systemic financial systems.

Stress tests show that while largest banks are sufficiently capitalised and profitable to withstand a deterioration in economic conditions, a group of public sector banks (PSBs) are highly vulnerable to further declines in asset quality and higher provisioning needs, the IMF warned.

Noting that the country's financial system is undergoing a gradual structural shift, with a greater role for non-bank intermediaries and higher recourse to market funding for large corporates, the IMF said financial system assets equal about 136 per cent of GDP, close to 60 per cent of which reflect banks assets.

The state retains an important footprint in the system via ownership of large financial institutions, captive government financing, and directed credit to priority sectors, the IMF said. The IMF said the Indian authorities have been pursuing policies to accelerate the process of NPA resolution.

The 2016 Insolvency and Bankruptcy Code introduced a modern framework that aims at reorganisation and insolvency resolution in a time-bound manner, and the RBI was empowered with directing restructuring cases to the insolvency process.

This approach shows promise to deliver progress in NPA resolution, particularly if accompanied by sufficient upfront provisioning and capital buffers in the PSBs; broader restructuring of the PSB sector, including improvements in governance; more flexible out-of-court debt restructuring mechanisms; and increased capacity and resources for the insolvency courts

The authorities recently announced a recapitalisation plan for the PSBs amounting to approximately 1.3 per cent of GDP, as well as the establishment of a mechanism to seek consolidation across these banks, it said.

UK Tops Forbes' List of Best Countries for Business in 2018

The United Kingdom topped Forbes' rankings of best countries in the world for business in 2018 for the first time, up from fifth last year. The list ranks 153 countries on 15 factors including property rights, innovation, taxes and red tape. The UK is followed by New Zealand and the Netherlands, while India was ranked 62nd on the list. The UK's \$2.6 trillion economy is the fifth largest in the world.

The world's second (China) and third (Japan) biggest economies rank 66th and 21st, respectively. Chad ranks last for the third straight year.

RBI Financial Stability Report: Banks' GNPA may touch 11%

With the stress in the economy expected to remain elevated, the gross non-performing assets (GNPA) ratio of scheduled commercial banks (SCBs) could hit the 11 per cent mark by end-September next year, according to the Reserve Bank of India's Financial Stability Report (FSR).

The overall risks to the banking sector remained elevated due to asset quality concerns. Between March and September, the GNPA advances ratio of SCBs increased from 9.6 per cent to 10.2 per cent, and the stressed advances ratio marginally increased from 12.1 per cent to 12.2 per cent.

Public sector banks (PSBs) registered GNPA ratio at 13.5 per cent and stressed advances ratio at 16.2 per cent in September, according to the FSR which was released on 21st December.

The macro stress test for credit risk indicates that under the baseline macro scenario, the GNPA ratio may increase to 10.8 per cent by March 2018 and further to 11.1 per cent by September 2018. A “stress test” is an analysis conducted on a bank, under unfavorable economic scenarios, to see if it has enough capital to withstand the impact of adverse shocks or developments.

The recent capitalisation plan announced by the government for public sector banks (PSBs) is expected to significantly augment capital buffers of affected banks as also the credit growth.

Banks are meant to have some amount of risk absorbing capacity, hence central bankers and regulators world over mandate, minimum cash reserves, capital reserves, liquidity positions and provisioning levels, amongst other conditions. The FSR’s findings note that all PSBs, and some Private ones, had a negative provisioning gap; assuming a benchmark provision coverage at 50 per cent.

A negative gap for a bank means that the actual provision levels maintained by the bank are less than their target provisions (level), therefore, having under-provided for the risk. Further, if there are negative returns on the assets of under-provisioned PSBs, this could hinder the banks’ ability to further build-up their loss absorption capacity.

The FSR points out that shocks emanating from the infrastructure sector will considerably hit the profitability of banks. The most severe shocks could wipe out about 87 per cent of the profits banks receive. Additionally, the power sector has the most significant single factor shock effect, the FSR notes.

Environment:

Environment Congress 2017 kicked off in Odisha

Odisha Environment Congress 2017 kicked off with an aim to foster ‘Sustainable River Basin Management’. OEC-2017 kicked off at Regional Museum of Natural History in Odisha.

The integrated approach to river basin management is needed with a focus on water-use-efficiency in both agricultural as well as industry.

This may save adequate water for the river to serve itself. Conscious efforts by all to reduce pollution load on the river system would be beneficial to both human societies as well as to nature.

Awards:

Sahitya Akademi, India's national academy of letters, on 21 December, announced its annual awards, recognising the literary works of 24 writers writing in 24 Indian languages.

Seven books of novels, five of poetry, five of short stories, five of literary criticism, and one of play and essays have won the Sahitya Akademi Awards 2017.

The awards will be conferred upon the winners during a ceremony on 12 February 2018.

Mamang Dai's name has been selected for his English novel *The Black Hill*, and Niranjan Mishra is in the list of winners for his Sanskrit novel *Gangaputravadanam*, KP Ramanunni has won for *Daivathinte Pusthakam* in Malayalam, and Nachhattar for his Punjabi novel *Slow Down*.

The poets who feature in the list of winners are Udaya Narayana Singh (Maithili), Shrikant Deshmukh (Marathi), Bhujanga Tudu (Santali), Inqulab (Tamil) and Devipriya (Telugu).

Inqulab's family, however, refused to accept the award for his collections of poems titled "Kaandhal Naatkal."

Five writers awarded for their short stories are Shiv Mehta (Dogri), Autar Krishen Rahbar (Kashmiri), Gajanan Jog (Konkani), Gayatri Saraf (Odia), and Baig Ehsas (Urdu).

Ramesh Kuntal Megh (Hindi), TP Ashoka (Kannada), Urmi Ghanshyam Desai (Gujarati), Bina Hangkhim (Nepali), and Neeraj Daiya (Rajasthani) have been recognised for their literary criticism.

Jagdish Lachhani (Sindhi) for his essays and Rajen Toijamba (Manipuri) for his play are also among the winners.

The award, given for books published between 1 January 2011 and 31 December 2015, includes a casket containing an engraved copper-plaque, a shawl, and a cheque of Rs 1 lakh.