

# The Hindu & BL Editorials 9<sup>th</sup> Sep. 2020

## Kamath panel's recommendations on rejigging big ticket debt show the way for banks



**Over time, a centrally conceived template for lending and restructuring will help enhance credit appraisal skills along the rank and file of the banking system**

The KV Kamath committee, set up by the RBI a month ago, to look into the restructuring needs of large borrowers hit by Covid has done well to identify 26 vulnerable sectors and, what's more, the specific financial frailties of each. The panel was set up to deal with "accounts where the aggregate exposure of the lending institutions at the time of invocation of the resolution process is ₹1,500 crore and above". The sectors identified cover much of the manufacturing and infrastructure universe, besides retail outlets, hotels and tourism. The panel, by spelling out sector-wise thresholds with respect to EBITDA, debt service coverage, current assets and liabilities, total outside liability *vis-a-vis* adjusted tangible net worth, has spelt out clear restructuring guidelines for banks, in effect ensuring that historical errors with respect to corporate debt restructuring do not recur. Restructuring has seen many avatars over the last decade or so, be it 5/25 (scheme for infrastructure assets) and S4A, which did not meet with much success. Now, the specific crisis arising out of Covid necessitated a response for large players, supplementing earlier efforts to boost the MSME sector as well as units where the aggregate exposure exceeded ₹100 crore. While MSMEs have received liquidity and solvency packages since September 2019, the June 7, 2019, RBI circular addresses the 'resolution plan' modalities for units whose aggregate exposure is above ₹100 crore. Relief to the large units will ensure flow of working capital across the supply chain, spurring industrial recovery. A relaxed timetable on loan repayments will aid this process.

However, instead of a cast-iron framework for banks, the panel could have allowed for some flexibility in interpretation, both within a sector and over time, especially in a situation of exceptional uncertainty. Also, by limiting the restructuring exercise at present to two years, the panel may have taken a rather sanguine view of the economic recovery process. Some

of these assumptions must be reviewed periodically, if the situation so demands. The panel leaves little room for banks to deploy their traditional, sector-based expertise.

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The RBI should focus on higher provisioning, and in a graded manner, for restructured loans, while allowing banks to take some initiative on the lending side. An ongoing committee that can provide expertise to banks from time to time on loan restructuring can also be considered. Over time, a centrally conceived template for lending and restructuring will help enhance credit appraisal skills along the rank and file of the banking system. That said, the need for such a framework cannot be overstated in these times of crisis. It seeks to reconcile prudence with higher lending. It is for the banking sector to pick up the tab.

## **Safe session: On monsoon session of Parliament**

**Parliament not only needs more space during a pandemic, but also more time**

The **Parliament session, from September 14, will see many firsts**. The **Lok Sabha and the Rajya Sabha** will alternate their sittings so that members can spread over **both chambers to ensure physical distancing necessitated by the COVID-19 pandemic**. Even the visitor galleries will be occupied by the MPs. There will be 18 sittings without any weekend break or holiday. **The break, between 1 p.m. and 3 p.m., would be used to disinfect the chambers**. The presiding officers of both Houses have had trial runs, but it will be a tough act for them and the MPs — who are used to huddling together and speaking aloud — to deliberate across two chambers and keeping a safe distance from one another. **There will be no Question Hour**, though members can get written answers to written questions. The Zero Hour, where any member can raise issues of urgent national importance, will not be an hour, but only 30 minutes. The Opposition has gone quiet on **these changes in parliamentary modalities** after some initial objections. Recently, the Assemblies of Opposition-ruled States, Kerala, Rajasthan, Punjab and West Bengal, met and none of them had a Question Hour.

The executive branch has expanded its power globally, in the wake of the pandemic, and not rarely, using it as a facade for aggrandisement. The attenuation of Parliament, overshadowed by a strong executive, has been a concern in India even before the pandemic. In ensuring executive accountability and voicing people's concerns, Parliament's role was found wanting. In lawmaking, it was increasingly being railroaded by the executive. These unhealthy trends appear to have been accelerated by the pandemic. The government must be held accountable by Parliament on the management of the pandemic, but that is not all. There is a long list of issues that requires detailed attention and deliberation by people's representatives, such as China's aggression on the LAC, the challenges on the economic front, the Centre's refusal to meet its commitment to States under the GST regime, the coming election in Bihar in the midst of the pandemic, the situation in Jammu and Kashmir, and worsening ties with India's neighbours. The Congress has been combative on these issues while the government has not been very responsive. Regional parties in power appear too overwhelmed by the pandemic to pay attention to other issues. The government

has 11 Bills to replace ordinances. The Bill to replace Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020, which will seek to amend the Income Tax Act to enable 100% deduction to donations made to the PM CARES Fund, is a controversial one among them. The Opposition and the government must work together to turn the session into an opportunity to share views on all these questions, and present a united, reassuring front before the country.

## **Vaccine for all: On COVID-19 vaccine policy**

**India needs a COVID-19 vaccine policy that ensures total coverage in logical phases**

**The race to a vaccine is a relay** — at every stage, there are people passing on the baton, and it's the government's responsibility to grasp it at the last mile. Whether or not a **vaccine for COVID-19** is around the corner, it is imperative that a vaccine policy is formulated for India, ensuring parity of access for all. As several vaccine efforts are progressing at varying paces, globally, **concerns about access to a vaccine** in the future have crept into the narrative. **WHO Director General Tedros Adhanom Ghebreyesus** recently spoke of the **need to use a vaccine**, when it becomes available, effectively. He also indicated the need to prioritise vaccination for some in the initial stages, while in time, as production increases, people everywhere should get it. **In the initial stages, global health leaders** have been advancing the vaccine for essential workers and those at risk including senior citizens and those with co-morbidities. As Dr. Tedros said, “some people in all countries, rather than all people in some countries”, should have access to the vaccine in the early phase. Even in this initial stage, the **government should make the vaccine** available free of cost to those who cannot pay, or at affordable rates. As production kicks off, initial production costs are likely to be high, even astronomical, and it is the duty of governments to cushion the cost. Once the economies of scale begin to kick in, it is likely that the prices are driven down and become more affordable. Besides being a moral and ethical imperative, it will also make economic sense to make sure the vaccine is eventually available to all. Leaving gaps in the delivery of the vaccine will only serve to allow the virus to survive, and continue to wreak further damage.

India has a fairly reliable vaccine delivery system for children, as part of the universal immunisation programme. It may be assumed that the knowledge and wherewithal to run a full-scale vaccination programme rests with the health administration — both at the central and the State level. However, in terms of scope, this is far wider; in fact, a mammoth task. All people in the country must have access to the vaccine, and, if necessary, periodic doses of it. Indeed, the mobilisation for this task in India should be nothing short of heroic, as and when the vaccine is available here. Meanwhile, the government must get its act together on developing a policy specific to the **COVID-19** vaccine; from preparing resources — both material and human — for the manufacture, storage, distribution and delivery. This includes taking sensitive, but firm, decisions guided by evidence, on who will receive the vaccine, how, when and where. Putting down a standard operating protocol for every stage of the vaccine will serve the government well when the baton is finally passed on to it.