

INTERESTING BUT RISKY
RBI's diktat to banks could spur borrowing but may pressure lenders' margins

The Reserve Bank of India (RBI) has finally decided that it needs to address the problem of inadequate interest rate transmission head on. In a circular to banks on Wednesday, it directed lenders to link all new floating rate loans given to borrowers in the personal, retail and micro, small and medium enterprise (MSME) categories to external benchmarks, including the repo rate, with effect from October 1. While giving banks the relative freedom to choose the specific external benchmark, including yields on the 3-month and 6-month Treasury Bills published by the Financial Benchmarks India Pvt. Ltd., the central bank made it clear that lenders would need to adopt a uniform benchmark within a loan category. Banks have also, crucially, been given the leeway to determine their spread over the benchmark rate with a caveat that changes to the credit risk premium can only be made when the borrower's credit assessment undergoes a substantial change. That the inadequate transmission of policy rate moves has been an abiding conundrum for the RBI is well known. In 2015, then Governor Raghuram Rajan decided that the system used by banks to price their loans needed to be changed and so introduced the Marginal Cost of Funds based Lending Rate (MCLR) regime. In October 2017, an internal study group of the RBI recommended the adoption of external benchmarks to ensure effective policy transmission, after observing that the MCLR too had failed to deliver.

Policymakers, in fact, have been so vexed with poor transmission — against a total of 75 basis points (bps) reduction in the RBI's repo rate between February and June, the weighted average lending rate on fresh rupee loans at banks eased only by 29 bps — that Monetary Policy Committee member Chetan Ghate in August cited the issue as reason to oppose the proposed 35-bps cut and instead voted for a 25-bps reduction. "By a large cut (35 bps) I feel we will be burning through monetary policy space without much to show for it. While the real economy needs some support, we should wait for more transmission to happen," he said at the MPC's rate setting meeting, the minutes show. Though the latest move will surely lower the interest cost on new floating rate loans availed by borrowers to buy cars or homes, it may force banks to start cutting the interest rate they pay deposit holders or risk seeing their margins shrink. And while the RBI wants to try and nudge an uptick in credit for beleaguered personal consumption and borrowing by beleaguered MSMEs, the success of the measure will ultimately be determined by a regaining of confidence by consumers to spend and a conviction by industry to invest.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Diktat	Noun	Decree, order, injunction, inductment
Spur		Stimulus, incentive, encouragement, stimulant
Inadequate	Adj.	Insufficient, not enough, deficient, scarce

Transmission	Noun	Transference, transferral, conveyance
Head on		Collision, blow, dump, dull, concussion
Floating	Adj.	Buoyant, afloat, drifting, suspended, unsettled
Yield	Noun	Production, producing
Adopt	Verb	Embrace, take on, acquire, espouse, assume
Leeway	Noun	Freedom, elbowroom, latitude
Determine	Verb	Control, decide, regulate, direct, dictate
Caveat	Noun	Warring, caution, admonition, monition
Assessment	Noun	Evaluation, judgement, gauging, estimation
Substance	Adj.	Considerable, real, material, significant
Abiding	Adj.	Enduring, lasting, persisting, long lasting
Conundrum	Noun	Problem, difficulty, quandary, dilemma
Regime	Noun	System, arrangement, scheme, code
Effective	Adj.	Effectual, efficacious, productive, potent
Vex	Verb	Annoy, irritate, infuriate, incense, enrage
Ease	Verb	Relieve, alleviate, mitigate, assuage, alloy
Oppose	Verb	Combat, battle, confront, cross, fight
Shrink	Verb	Contract, diminish, lessen, dwindle, decline
Nudge	Verb	Poke, dig, prod, push
Consumption	Noun	Using up, use, utilization, expending
Beleaguer	Verb	Besieged, blockaded, surround, encircle
Confidence	Noun	Trust, belief, faith, credence, conviction
Conviction	Noun	Belie, trust, faith, tenet, persuasions

A WEAK CHASE

Controlling the hepatitis B virus calls for universal vaccination of newborns

On September 3, Bangladesh, Bhutan, Nepal and Thailand became the first four countries in the World Health Organization's southeast Asia region to have successfully controlled hepatitis B. The virus is said to be controlled when the disease prevalence is reduced to less than 1% among children less than five years of age. Despite the introduction of hepatitis B vaccine in the Universal Immunisation Programme in 2002 and scaling-up nationwide in 2011, about one million people in India become chronically infected with the virus every year. According to the Health Ministry, as on February 2019, an estimated 40 million people in India were infected. Hepatitis B infection at a young age turns chronic, causing over 1,00,000 premature deaths annually from liver cirrhosis or liver cancer. A study

published in 2013 found lower coverage of hepatitis B vaccine in eight of the 10 districts surveyed. But the coverage has witnessed an increase with the introduction of a pentavalent vaccine on a pilot basis in Kerala and Tamil Nadu in December 2011 and national roll-out in 2014-2015. According to the WHO, the coverage of hepatitis B third dose had reached 86% in 2015. However, despite the high vaccination coverage, disease prevalence in children aged less than five years has not dropped below 1%. One of the reasons for this is the sub-optimal coverage of birth dose in all infants within 24 hours of birth.

Hepatitis B birth dose, given in the first 24 hours, helps prevent vertical transmission from the mother to child. The compulsion to increase birth dose to cut vertical transmission arises from two important reasons — about 70-90% newborns infected this way become chronic carriers of hepatitis B, and about 20-30% carriers in India are due to vertical transmission. But even seven years after the Health Ministry approved the birth dose in 2008, its coverage remained low — 45% in 2015 and 60% in 2016 — according to a 2019 Health Ministry report. What is indeed puzzling is that even in the case of institutional delivery, the birth dose vaccine coverage is low — 76.36% in 2017. Incidentally, institutional delivery accounts for about 80% of all deliveries in the country. The birth dose coverage when delivery takes place outside health-care institutions is not known. One of the reasons for the low coverage is the fear of wastage of vaccine when a 10-dose vial is used. Unfortunately, health-care workers are very often unaware of the WHO recommendation that allows hepatitis B open-vial policy. Opened vials of hepatitis B vaccine can be kept for a maximum duration of 28 days for use in other children if the vaccine meets certain conditions. There is also a need to increase public awareness about the merits of the birth dose.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Prevent	Adj.	Wide spread, prevailing, frequent, pervasive
Immunisation	Noun	Inoculation, sensitication, vaccination
Scale up		Increase, augment, boost, proliferate
Chronic	Adj.	Persistent, long standing, prolonged, constantly, recurring
Estimate	Verb	Calculate, approximate, evaluate, reckon
Survey	Verb	Look at, look over, observe, view, contemplate
Witness	Verb	See, observe, view, note
Pentavalent	Adj.	Having a valency of five
Vertical	Adj.	Upright, erect, perpendicular, upended
Compulsion	Noun	Obligation, constraint, coercion, duress, intimidation
Puzzle	Verb	Baffle, twist, confuse, floor, bemuse, confound, Vacillate

Wastage	Noun	Depredation, despoilment, despoliation
Vial	Noun	A small bottle usually meant for medicines
Awareness	Noun	Consciousness, recognition, realization, cognizance

TODAY'S SPECIAL

Doubt – think to be untrue

Be doubtful / dubious - doubt that it will happen is true / good ideal / economists are doubtful that the situation will improve.

Have reservations – feel that a plan / idea may not be good / there may be some problems

Have misgivings – worried about doing it because it may have a bad result.

Sip – drink slowly

Slurp – drink a noisy way

Gulp down – drink quickly

Knock back – drink quickly (alcoholic drink)

Swig – drink quickly with large mouthful especially from a bottle

Earn – to be paid a particular amount of money for your work

Get – to earn a particular amount of every hour / week etc

Make – to earn money, especially a lot of money that is not from regular employment

Be on it – earn a particular amount each year. How much are you as?

Embarrassed – feeling uncomfortable / nervous and warring about what people will think of you

Self conscious – embarrassed about your body / the way you look / tack

Uncomfortable – unable to relax as you are embarrassed and not sure what to say / do

Awkward – the situation in which it is difficult to behave naturally

Sheepish – slightly embarrassed because feel little guilty

Red faced – ashamed (news paper)

Mortified – extremely embarrassed