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YES Bank: Can the money plant grow again?

The money plant was a ubiquitous prop in many of the events of Yes Bank, perhaps as a symbol of the lender's fast growth. But unlike the creeper that gets a support system to hug and grow, Yes Bank's core crumbled and the lender had to be rescued new version of Yes Bank with talent and money imported from the country's largest lender State Bank of India (SBI) does give some confidence to investors. This is visible from the fact that YES Bank managed to get a reasonable response to its follow-on public offer (FPO). Rs.15000 crore hasn't been a blockbuster success; but the bank is likely to end up with most of the money it aimed to raise. Note that the anchor portion of the issue itself was marginally undersubscribed, with subscriptions worth Rs.4100 crore, against a total book size of Rs.4500 crore. Besides, the allotment was done at the lower end of the price band. Confidence from investors is not forthcoming for the bank. Just as well because Yes Bank is unlikely to generate returns for the investors anytime soon. "Yes Bank is not a growth story," said an analyst requesting anonymity. The hope is that the FPO makes it a survival story at least. The FPO is key for the survival of YES Bank because its Tier-I capital is barely enough to keep it afloat despite the rescue mission. As of March end, the bank's Tier-1 capital was Rs.15,000 crore or 6.5% of its risk weighted assets.

The regulatory minimum is 8% and the FPO would help YES Bank reach this. Even so, a drain on the capital is imminent as about 17% of the lender's loan book is toxic. Moreover, stress has been piling up owing to the pandemic as well as past mistakes. It is clear that the FPO money would largely go towards provisions. Even as the FPO is crucial for the lender, it may not be enough for the bank for growth. Including capital needs for growth, the bank needed to raise at least Rs.23000 crores, analysts at Macquarie wrote in a note to client. The good news about the FPO is that a new set of investors have come in, and SBI's stake is set to reduce considerably from the current 48%. But this trend needs to grow; else a withering money plant could potentially end up choking SBI. ***(SIMRAN RAJU SHARMA/ TYBBI / 18)***

ASSET QUALITY BANKS IN INDIA, ASEAN ECONOMICS TO GET WEAKEN DUE TO COVID-19 CRISIS MOODY'S

Moody's expect that assets quality and profitability will deteriorate from good levels in 2019 across most banking systems, and while government support measures will offset some of the pressure , they will not fully eliminate the negative impact. In ASEAN and India, bank downgrades in 2020 have been driven by Indian banks, following the downgrade of the sovereign in June Moody's vice president and senior credit officer Eugene Tarzimanov said despite the challenging outlook , the majority of the banks are adequately capitalized , it added despite the challenging economic and credit conditions stemming from covid-19 will weigh on ASEAN and Indian banks asset quality and profitability Moody's said the largest banks will continue to benefit from deposit from inflows as they are seen as safe havens in time of stress. Moody's expect the GDP of most ASEAN economies and India to contraction 2020amd gradually recover in 2021. The relaxation in lockdown and resumption of economic activity will bring key factors supporting the recovery.

(SABAH SHELOT /SYBCOM /54)

Cloud Accounting

The latest trend in the accounting world is marked by the shift to “the cloud” to save money and improve user experience. Cloud flare, a leading cloud service provider defines the cloud as, “the servers that can be accessed over the internet, and the databases and software that run on those servers. These servers are situated in data centers across the globe. The companies using cloud computing no longer need to manage servers on their premises or run software applications on their machines.” The accounting software is hosted on the servers stationed far away. The accountants have to simply provide the data; it is processed there and sent back to them. By switching to the cloud, the companies will be able to cut it costs and overhead. For example, not having to maintain and update their servers will save costs for small businesses that couldn’t afford in-house infrastructure. They can now outsource their it needs conveniently through the cloud. Besides, the cloud will make allow companies to go global as the employees and clients will be able to access the same applications and files from any location. Not just this, cloud accounting will add another layer of security, thus, keeping data safe from hacking or getting lost. More than 50% of all businesses have already shifted to online computing. Moreover, the accounting training providers are offering courses to prepare accounting professionals in cloud accounting to meet the latest accounting standards. The accountants and bookkeepers are welcoming cloud technology with open arms. They are no longer confined to catering to local clients but can now get clients from all over the world. As the intuit 2020 report summarizes this up- “outsourcing financial tasks to lower-cost countries will grow in the coming year. Countries like India and Sri Lanka are attracting global accounting work and several other countries are entering this field. Seeing the potential, the government has specified financial outsourcing as a growing sector.” The cloud technology has presented a new way of working. It offers an easy way to transfer information in real-time and provide bookkeeping services at an affordable rate. Cloud accounting eliminates the need to set up and maintain accounting software on the company's computer. Moreover, it creates accounting jobs by way of collaborative accounting.

(TRESSA SWAMI /TYBCOM/28)

INDIA'S ECONOMY IS AILING FROM MORE THAN COVID-19

The Indian economy had already been weakened by years of mis-management before this crisis struck. According to the International Monetary Fund, India will be the largest economy to be worst hit by the Covid-19 pandemic. The Fund now says that Indian GDP in the ongoing financial year, which began in March 2020, will contract by 4.5%. Just a few weeks ago, it had been predicting 2% growth for the year. The IMF's projection is by and large in line with estimates from investment banks and other international organizations. Indian officials have been reticent about their own estimates. This is not surprising: India's economy has not contracted since 1979. For the government, this is uncharted territory. A slowdown of this magnitude will have enormous human consequences. By some estimates, the loss of three months' income would leave nearly half of the country's population mired in poverty, reversing all the gains made since the economy was liberalized in the early 1990s.Worse, the government's finances are strained. Tax revenues are set to crash and India's hitherto relatively stable debt-to-GDP ratio may spike up toward 90%. Controlling the spread of the pandemic will bleed state resources, leaving little for the welfare measures that will be essential in coming months. Such economic pressures help explain why the government lifted India's stringent lockdown even though the spread of Covid-19 clearly hadn't been controlled. India now has the world's fourth-largest number of Covid-19 cases. While the country may be partly protected from a tide of deaths by its favorable age distribution, there is every reason to suppose that more lockdowns to protect its inadequate health infrastructure will be required. If nothing else, this complicates predictions for the medium term and makes the task of reviving the economy that much harder .But doesn't let anyone tell you the pandemic is the main reason India's growth has gone off a cliff. The economy had already been weakened by years of mismanagement before this crisis struck. Figures released by national statisticians at the end of May explain what went wrong. Even before the pandemic properly hit India, in the financial year ending in March, GDP only grew at 4.2%. The sequence of quarterly GDP growth numbers leading up to that point tells a clear story: 7% growth shrunk to 6.2%, then to 5.6%, 5.7%, 4.4% and finally 3.1% in the quarter that ended with the lockdown. What was behind this slowdown? The answer is a lack of investment. Investment shrank by almost 3% over the year. Until then, India hadn't seen investment shrink for almost two decades, according to World Bank data. (It grew about 10% in 2018-19.) And this shrinkage began well before the pandemic in April 2019. In India, the virus struck an economy with pre-existing conditions. The investment crisis and India's large debt pile have the same cause: a government that thinks its own spending is what will fuel economic growth. According to official statistics, government spending increased by 12% last year, more than twice the growth rate of private consumption. Government spending was similarly higher than the other components of GDP in the previous year as well. As a consequence, the government last year again, before the pandemic properly hit had a fiscal deficit 4.6% higher than the one it inherited six years ago. This is pretty embarrassing, given the government has long claimed that its stewardship had provided macroeconomic stability following the turbulent last years of its predecessor. This should all be enough to sober any government. Yet, policymakers in New Delhi seem to be oddly sanguine. On Tuesday, they posted a cheerful update praising their "prompt policy measures" and touting an "increase in economic activity." It's true that May looked like a better month than April, when the lockdown was at its height. But pretty much every indicator for May 2020 is in the red when compared to May 2019. And most analysts believe any recovery will now take two years or so, rather than a couple of months. The government's confidence is inexplicable. It has not done enough to reinvigorate the economy. Its big weapon spending has failed and there is little left in its armory. Recovery needs reform. India has postponed competitiveness enhancing measures long enough. In a crisis of this magnitude, there are no excuses left. (***VAILANTINA FERNANDES/TYBMS/ 04)***