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Shades of grey: Black money estimates vary from 7-120% of official GDP

The Financial Express | June 27, 2019

THE FINANCIAL EXPRESS

In terms of the total black money, the revenue secretary told the committee that the estimates varied from 7% to 120% of the reported GDP

Given that tax-to-GDP was 8.7% in FY01 and rose to 12.1% in FY08, it is clear that there is a lot more to be made from tightening the tax noose on current income

Though the government, and the BJP, has spent an inordinate amount of time obsessing about the size of the black economy—the demonetisation exercise in 2016 was meant to be a direct assault on this—the reality is that there is no clarity on just how big the black economy is. The latest report of the Standing Committee on Finance collates the studies done by three leading research institutes—NIPFP, NCAER and NIFM—and comes up with numbers that vary widely and, in many cases, are not even that large in relative terms. In terms of the total black money, the revenue secretary told the committee that the estimates varied from 7% to 120% of the reported GDP. And, as for the money held overseas, NIPFP put it at 0.2% to 7.4% of GDP between 1997-2009, NCAER at $384-490bn between 1980-2010 (that's around 3% of GDP in that period) and NIFM even lower at $216bn.

While that still seems a lot of money in absolute terms, the fact is that amnesty schemes haven't really worked in the past and, in any case, given the way GDP is growing, the government would do well to concentrate on closing loopholes for present tax evasion. While VDIS netted Rs 9,700 crore in 1997, the IDS netted Rs 28,000 crore in 2016—the latter, however, is less than 0.2% of that year's GDP. Given that tax-to-GDP was 8.7% in FY01 and rose to 12.1% in FY08, it is clear that there is a lot more to be made from tightening the tax noose on current income. This 12.1% number fell to 10.1% in FY14, the year before the BJP came to power, and then rose to 11.2% in FY18, before falling to 10.9% in FY19; what is important is to stop tax compliance from falling, and to try to keep raising it.

The first step, of course, would be to plug all loopholes in the tax framework so as to minimise the leakage; too many exemptions and rebates will ultimately allow assesses to fudge their accounts. As the economy gets more formalised, and the GST system becomes more effective with invoices being matched regularly, it should become harder for businesses to evade taxes. The authorities must, at the same time, mine all the information they are able to access on incomes, revenues, most important, expenditures. Operation Insight, for instance, which is a linking of several databases on purchases of jewellery, automobiles, property, credit card payments, airline tickets, etc, can be a big sources of data, with which to track down evaders. Moreover, with every bank account now mandatorily linked to PAN numbers, banks can be asked to furnish lists of cash withdrawals by individuals above a certain threshold. To make this work, though, banks must quickly weed out fake PANs by matching them with the customers' Aadhaar numbers. Given much of the unaccounted wealth in the country is in the form of property, the amendments to the Benami Property Act and the crackdown on lakhs of shell companies—used to avoid taxes—will also help.

Govt likely to infuse up to Rs 5,000 crore in 3 general insurance companies

Banikinkar Pattanayak | June 27, 2019

THE FINANCIAL EXPRESS

With uncertainties hovering around the amount of surplus transfer from the Reserve Bank of India to the government, the capital

infusion into PSBs in FY20 will most likely be through recap bonds again

A final call on the exact amount of capital infusion into PSBs and insurers, will be taken by the department of economic affairs, depending on the availability of resources

The government will likely infuse capital of around Rs 30,000-40,000 crore into public-sector banks (PSBs) in the current fiscal and another Rs 3,000-5,000 crore into three general insurance companies, banking sources told FE.

With uncertainties hovering around the amount of surplus transfer from the Reserve Bank of India to the government, the capital infusion into PSBs in FY20 will most likely be through recap bonds again. These securities remain off-Budget items, although the interest on them is paid from the Budget. Nevertheless, the entire amount of bonds will find mention in the upcoming Budget. The February interim Budget did not provide for capital infusion for either PSBs or state-run insurers.

The issue of shoring up the capital base of insurers has gained renewed focus after Insurance Regulatory and Development Authority of India (Irdai) chairman Subhash Khuntia flagged low solvency ratio of some of them and stressed the need to have well-capitalised insurers at last week's FSDC meeting chaired by finance minister Nirmala Sitharaman.

Earlier this year, the department of financial services (DFS) had sought Rs 4,000 crore for infusion into three general insurers — National, Oriental and United — as at least two of them (barring Oriental) had been struggling to maintain the solvency ratio requirement of 1.5. Although the worst seems to be over for PSBs, a section of the government believes that capital infusion is required to bolster their ability to lend and support economic growth. Also, given its plan for consolidation, the government wants to ensure that the larger entity created from a merger of banks remains adequately capitalised.

A final call on the exact amount of capital infusion into PSBs and insurers, however, will be taken by the department of economic affairs, depending on the availability of resources, said the sources.

PSBs with decent bad loans ratio will be offered growth capital, while those under the central bank's corrective regime (Allahabad Bank, United Bank of India, Corporation Bank, UCO Bank, Central Bank of India and Indian Overseas Bank) could get just about enough to meet regulatory requirements, said the sources. The government had infused a record Rs 1.06 lakh crore into state-run banks in FY19, against `88,139 crore a year earlier.

According to the latest Crisil report, PSBs — which make up for roughly 80% of the bad loans in the banking system — will see their gross NPAs shrinking by as much as 400 bps to 10.6% by March 2020 from 14.6% in March 2018. Separately, the government told Parliament on Tuesday that gross NPAs of state-run banks dropped to `8,06,412 crore as of March 2019 from the peak of Rs 8,95,601 crore in a year earlier, emphasizing the improvement in the PSBs' asset quality.

However, as pointed out by FE earlier this month, while the government infused over Rs 2.5 lakh crore since FY15, the share of PSBs in the market capitalisation of all banks plunged to just 26.04% from 42.93% on May 23, 2014, just before PM Narendra Modi came to power. Had the PSBs retained their share, their market cap would have been higher by almost Rs 4 lakh crore now, which means a notional loss of as much amount. This provides a cue for the new government to introduce reforms in the banking space by privatising sick PSBs instead of pumping in more money into them or asking LIC to bail them out (as in case of IDBI Bank).

As for general insurance companies, an increase in underwriting losses and higher claims have eroded their profitability in recent years, impacting their solvency ratio. While Oriental Insurance's solvency ratio stood at 1.66 as of March 2018, United India had a solvency margin of 1.54 and National Insurance's was 1.55. These three insurance companies together accounted for 200 insurance products and a market share of around 35% as of March 2017. Their combined net worth was to the tune of Rs. 9,243 crore and employee strength of around 44,000 across 6,000 offices.

Scoring on health: on Health Index 2019

JUNE 27, 2019
EDITORIAL
THE HINDU

States, now with greater resources at their command, must upgrade primary health care

The Health Index 2019 released by NITI Aayog makes the important point that some States and Union Territories are doing better on health and well-being even with a lower economic output, while others are not improving upon high standards. Some are actually slipping in their performance. In the assessment during 2017-18, a few large States present a dismal picture, reflecting the low priority their governments have accorded to health and human development since the Aayog produced its first ranking for 2015-16. The disparities are stark. Populous and politically important Uttar Pradesh brings up the rear on the overall Health Index with a low score of 28.61, while the national leader, Kerala, has scored 74.01. Andhra Pradesh and Maharashtra join Kerala as the other top performers, with the additional distinction of making incremental progress from the base year. The NITI Aayog Index is a composite based on 23 indicators, covering such aspects as neonatal and infant mortality rates, fertility rate, low birth weight, immunisation coverage and progress in treating tuberculosis and HIV. States are also assessed on improvements to administrative capability and public health infrastructure. For a leading State like Tamil Nadu, the order of merit in the report should serve as a sobering reminder to stop resting on its oars: it has slipped from third to ninth rank on parameters such as low birth weight, functioning public health centres and community health centre grading.

For the Health Index concept to spur States into action, public health must become part of mainstream politics. While the Centre has devoted greater attention to tertiary care and reduction of out-of-pocket expenses through financial risk protection initiatives such as Ayushman Bharat, several States remain laggards when it comes to creating a primary health care system with well-equipped PHCs as the unit. This was first recommended in 1946 by the Bhore Committee. The neglect of such a reliable primary care approach even after so many decades affects States such as Bihar, where much work needs to be done to reduce infant and neonatal mortality and low birth weight, and create specialist departments at district hospitals. Special attention is needed to shore up standards of primary care in Odisha, Madhya Pradesh, Uttarakhand, Rajasthan, Assam and Jharkhand, which are at the bottom of the scale, as per the NITI Aayog assessment. The Health Index does not capture other related dimensions, such as non-communicable diseases, infectious diseases and mental health. It also does not get uniformly reliable data, especially from the growing private sector. What is clear is that State governments now have greater resources at their command under the new scheme of financial devolution, and, in partnership with the Centre, they must use the funds to transform primary health care.

Cash in circulation fell post note ban: FM

SPECIAL CORRESPONDENT
NEW DELHI, JUNE 25, 2019
THE HINDU

'Demonetisation exercise of 2016 succeeded in reducing notes in circulation by Rs.3.4 lakh crore'

Demonetisation, coupled with increased digital transactions and the reduced cash usage in the informal economy, led to a reduction in currency in circulation by Rs.3.4 lakh crore, according to Finance Minister Nirmala Sitharaman.

'Significantly lower'

Replying to a question in the Rajya Sabha, Ms. Sitharaman said that the level of currency in circulation as of May 31, 2019, was significantly lower than what it would have been if demonetisation had not happened.

According to the data provided, the value of notes in circulation on November 4, 2016, (four days before demonetisation was announced) stood at Rs.17.74 lakh crore, which has now increased to Rs.21.71 lakh crore as of May 31, 2019.

However, Ms. Sitharaman said that the notes in circulation had been growing at an average annual growth rate of 14.51% since October 2014.

"At this rate, notes in circulation would have increased to Rs.25,122.53 billion (Rs.25.12 lakh crore) as on May 31, 2019," Ms. Sitharaman said in her reply. "As actual notes in circulation on May 31, 2019 are only Rs.21,713.85 billion [Rs.21.71 lakh crore], demonetisation, followed by digitalisation and reduction of cash use in informal economy, has succeeded in reducing the notes in circulation by as much as Rs.3,408.68 billion (Rs.3.4 lakh crore)."

Ms. Sitharaman went on to cite Reserve Bank of India data to show that the number of counterfeit bank notes detected decreased from 762,072 pieces in 2016-17, to 522,783 in 2017-18 and 317,389 pieces in 2018-19 and hence "demonetisation resulted in curbing of the counterfeit currency".

However, she did not mention whether this reduction in detection of fake currency was due to their incidences coming down or their sophistication surpassing the RBI's ability to detect.

"A significant growth has been observed in digital transactions in the country post demonetisation," Ms. Sitharaman added. "Growth of digital transactions in terms of value has increased to Rs.188.07 lakh crore in September 2018 from Rs.112.27 lakh crore in November 2016. Digital transactions in terms of volume have increased to 241.88 crore in September 2018 from 91.83 crore."

The Minister also said that demonetisation led to a "significant positive impact on most theatres of violence" in the country since illegally held cash formed a major chunk of terror funding, and that the note ban rendered the cash held with terrorists worthless.

"Short-term costs of demonetisation was in the form of inconvenience and hardship, especially to those in the informal and cash-intensive sectors of the economy but that was taken care of very soon," Ms. Sitharaman said. "Demonetisation also resulted in better tax compliance, greater tax revenues, more formalization of economy and higher digital transactions."

Payments data must be saved locally: RBI

SPECIAL CORRESPONDENT
MUMBAI, JUNE 26, 2019
THE HINDU

This follows a clarification sought by payment system operators

The Reserve Bank of India (RBI) has clarified on Wednesday that payment system providers need to store entire payments data in a system only in India.

Following clarifications sought by Payment System Operators (PSOs), RBI has released frequently asked questions (FAQ), in which it said data processed abroad would have to be brought back to the country within 24 hours.

"The entire payment data shall be stored in systems located only in India," RBI clarified in the FAQ.

"The data should include end-to-end transaction details and information pertaining to payment or settlement transaction that is gathered/transmitted/processed as part of a payment message/ instruction," the RBI said.

The data could be pertaining to customer data like name, mobile number, Aadhaar number, PAN; Payment-sensitive data like customer and beneficiary account details; payment credentials like OTP, PIN and, transaction data such as originating and destination system information amount, among others.

The RBI further clarified that in case the processing is done abroad, the data should be deleted from the systems abroad and brought back to

India within one business day or 24 hours from the payment processing, whichever is earlier.

The central bank had issued a directive in April 2018 on 'storage of payment system data' where it advised that all system providers to ensure that within a period of six months, the entire data relating to payment systems operated by them is stored in a system only in India.

The FAQs further said there is no bar on processing of payment transactions outside India if so desired by the PSOs. "...the data shall be stored only in India after the processing. The complete end-to-end transaction details should be part of the data," the RBI said.

The data can be shared with the overseas regulator, if required, depending upon the nature/origin of transaction with prior approval of the RBI.

Bank fraud: ED attaches assets worth over Rs.9,000 crore in Sterling Biotech PMLA case

Devesh K. Pandey
NEW DELHI, JUNE 26, 2019
THE HINDU

Overseas assets worth Rs.9,778 crore attached in connection with bank fraud

The Enforcement Directorate (ED) has attached overseas assets worth Rs.9,778 crore in connection with an alleged bank **fraud** case against the Sterling Biotech Limited (SBL) group and its promoters. The total value of attachments so far stands at Rs.14,508 crore.

Among the attached properties are four Nigeria-based oil rigs and an oil field, several ships registered in Panama, an aircraft registered in the United States and a residential flat in London.

The oil rigs and oil field are in the name of Sterling Energy Exploration Private Co. Limited (SEEPCO), Nigeria. "The ships are held in the name of Atlantic Blue Water Services. Aircraft 200 Gulfstream is in the name of SAIB LLC… all these companies are controlled by SBL," the ED said.

Last year, the ED had attached assets worth Rs.4,730 crore in the case. It has been confirmed by the Adjudicating Authority under the Prevention of Money Laundering Act. The agency had initiated the probe based on an FIR registered by the Central Bureau of **Investigation** against the group, its promoters Nitin, Chetan and Deepti Sandesara and others in October 2017.

The SBL group is alleged to have got **loans** from an Andhra Bank-led consortium, with the funds diverted for non-mandated purposes and laundered through a web of domestic and offshore entities. The loan funds were used to finance their Nigerian oil business and for the personal expenses of promoters.

The promoters allegedly used their employees' names to incorporate 249 domestic and 96 offshore shell companies in various countries, including the United Arab Emirates, U.S., U.K., British Virgin Islands, Mauritius, Barbados, Panama and Nigeria.

The group also indulged in round-tripping of standby letters of credit funds to the tune of Rs.4,500 crore. They were later allowed to devolve on the guarantor banks, causing loss to them, according to the ED.

Their strategy included conducting circular transactions to artificially inflate turnover of flagship companies, claiming higher depreciation on non-existing machinery to avoid tax liabilities and artificial share-trading with shell companies, asserted the agency.

RBI begins monitoring HFCs

Manojit Saha
MUMBAI, JUNE 26, 2019
THE HINDU

Liquidity, asset-liability gap, repayment schedules being reviewed on daily basis

The Reserve Bank of India (RBI) has started monitoring the liquidity position, asset-liability gap and repayment schedules of housing finance companies (HFCs) on a daily basis after the liquidity crisis hit these firms, resulting in defaults.

Mortgage lenders are regulated by the National Housing Bank. But the central bank is of the view that the since the liquidity crisis of the HFCs could have a spillover effect on the other segments in the financial sector, including banks, and hence, could affect financial stability, it was necessary to monitor these entities on a regular basis

For this purpose, a general manager in National Housing Bank has been asked to be in regular communication with a chief general manager in the department of non-banking supervision (DNBS) of the RBI, sources familiar with the development told ***The Hindu***, adding the process had started about a week ago.

The non-banking financial sector, particularly the mortgage lenders, are fighting a crisis of confidence with banks having stopped lending to these entities since the debt default by IL&FS in September last year.

NBFCs saw their cost of funds going up sharply in the last few months. This has impacted their business growth as the lenders have to cut down on their loan disbursements.

Feeling pressure

The move to monitor HFCs on a daily basis comes after some mortgage lenders started feeling the pressure to meet their financial obligations. Dewan Housing Finance Corporation, for example, partially defaulted on repayment to its commercial paper holders. Earlier, the company had to delay repayment to its non-convertible debenture holders.

RBI Governor Shaktikanta Das had emphasised on the importance of maintaining financial stability in the wake of the HFC crisis.

“... the RBI does not regulate the housing finance companies, nonetheless, the banks have significant exposure to the housing finance companies. And, the RBI in any case is mandated to look after the financial stability of the entire economy…the RBI will not hesitate to take whatever steps are required to ensure that financial stability is not adversely impacted in any manner by any development,” Mr. Das had said during a media interaction earlier this month.

Taxman can share data on assets of loan defaulters with PSBs, says CBDT

Surabhi Mumbai | June 26, 2019

BusinessLine

Tax officials can now share data with public sector banks to help them recover dues from loan defaulters

The Central Board of Direct Taxes (CBDT) has permitted its officials to share information on immovable properties of such defaulters following many requests from banks.

"The Board is of the view that sharing of information with PSBs in respect of assets held by defaulters of loans, so as to enable recovery of loans from such defaulters, is in public interest, and hence, can be furnished," said the CBDT, adding that apart from the Statement of Assets, if requested, other information such as details of bank accounts, and sundry debtors of the defaulter that can help in recovery of the loan can also be provided.

The CBDT, however, stressed that the information may be provided only of the borrower, mortgager and guarantor of the loan.

Further, at the time of giving the information, a confidentiality clause must also be included and an undertaking signed by the bank that the data will be used only for recovery of the loan and will not be shared with any third party.

It has also directed its officials to ensure that any tax due against the defaulter is safeguarded in case of recovery based on the information shared.

"An undertaking may be obtained from the PSB to obtain a No Objection Certificate from the jurisdictional Principal Commissioner of Income Tax of the loan defaulter before appropriation of the surplus amount recovered from sale of immovable and movable asset of the defaulter, information in respect of which is shared," it said.

The CBDT directive is the latest in a series of measures aimed at helping banks recover dues from defaulters, many of whom have wilfully defaulted on loans.

With a multi-pronged effort in place for recovery of bad loans, gross non-performing loans of PSBs fell byRs.89,189 crore to Rs.8.06 lakh crore as on March 31, 2019.

However, experts point out that private sector banks should also be included for sharing of information as they too struggle with recovery of dues.

Amit Maheshwari, Partner, Ashok Maheshwary & Associates, said, "This directive will only aid the public sector banks in their recovery efforts and not the private sector lenders. Also, several defaulters may have already shifted their assets and may not hold significant assets in their name."

Special Economic Zones (Amendment) Bill cleared amid protests

SPECIAL CORRESPONDENT
NEW DELHI, JUNE 26, 2019
THE HINDU

Opposition questions the hurried manner of promulgating the ordinance

The Lok Sabha on Wednesday passed the Special Economic Zones (Amendment) Bill, 2019, making a trust or any entity notified by the Central government eligible for consideration of grant of permission to set up a unit in special economic zones.

Union Commerce and Industry Minister Piyush Goyal said the Bill, which would replace an ordinance, was aimed at improving and encouraging more investments and introducing features including single-window clearance and to ease imports and exports.

"To attract both domestic and international investors, the Prime Minister wants to keep up with the evolving business environment," Mr. Goyal said, introducing the legislation. “To this effect, we want to add alternative investment funds trust in the definition of persons,” he added.

Opposition parties, however, questioned the manner in which the Bill had been brought in, with Congress MP Shashi Tharoor stating, “As per rule, an ordinance can be promulgated only when the President deems it necessary in emergency situations and when issues of extreme urgency arise and when it’s not possible to wait for Parliament to convene.”

“The Minister has to explain the urgency in this matter,” Mr. Tharoor said. “The PM must not treat this House as a rubber stamp for his political agenda. The Congress is proud of India’s economic growth, but we urge this government to stop with the ordinances and bring Bills to this Parliament for debate and discussion,” he added.

“We have failed as members of Parliament to keep a check on the misuse of this Article,” the Congress MP asserted, adding “There is no cogent reason given for this emergency situation”.

Asserting that the country was ‘unfortunately’ yet to realise the vision of the SEZ Act 2005, Mr. Tharoor said: “Currently unemployment in India has reached the highest rate in about 45 years. In the last five years, our exports have barely increased by 10%. According to replies in the House, 150 SEZs are non operational. Half the land notified for SEZs is lying vacant, exports are not growing fast enough to help generate employment. What structural reforms will you undertake to ensure the advance of this policy?’’

Questioning the government for the urgency in passing an ordinance, DMK leader D.N.V. Senthilkumar said: “Large chunk of trusts owned by minorities have been shut down under the previous Act. There are suspicions that the government has a hidden agenda to favour a selected few who are close to the government and have vested interests.”

BJD member Bhartruhari Mahtab asked how the provision of bringing trusts and entitities under the new amendment would encourage FDI inflows.

“The only thing mentioned in the Bill is you are making an amendment to bring trusts and ‘any entity’ (it needs to be defined). But it should be notified by the Central government,” said Mr. Mahtab. “A law on policy has to be non-discriminatory and without any discretion. In the last 10 years, more bungling has taken place with more discretionary power of the decision-making authority. The idea was that FDI will increase with the SEZ Act. But last year, the FDI came down,” he asserted.

Replying to Opposition Mr. Goyal said that many progresive Bills have been blocked due to the disturbances and delays of both the Houses. Hence the Ordinance route has been adopted. ``In the Constitution, the President has been vested with powers to promulgate an Ordinance after analyzing its merits,’’ he said.

Concern around NPAs is a little overdone: Ravneet Gill

Surabhi Mumbai | June 26, 2019

THE HINDU BusinessLine

YES Bank CEO rules out plans to sell large NPAs

It has been an ‘intense initiation’ for Ravneet Gill, Managing Director and CEO, YES Bank, who took over just about four months ago and has since then overseen a quarter and fiscal year-end, an Annual General Meeting and the current capital-raising exercise. In an interview to BusinessLine***, Gill outlines plans for the private sector lender, including continued focus on corporate lending and digitally-driven expansion plan. Excerpts:***

How much of a concern is your NPAs? Are you looking for buyers for some large NPAs?

I think our NPAs need addressing, but I would say that the concern around NPAs right now is a little overdone. Partly this is because a lot of it is based on hearsay, whereas the reality may be different. We are not looking to sell any large NPAs. The large positions that we have talked about are all bilateral lendings and where we can see a clear resolution.

We don’t feel the need to take haircuts and sell off exposure. Selectively, we might look at a one-off exposure where we may feel better to sell it rather than go through the protracted legal procedure. But that’s far and few between.

What will be the bank’s focus for its lending portfolio?

We are essentially a corporate bank and we will continue to be a corporate bank. We also want to grow our retail book so our revenue stream is diversified. But our core DNA is corporate and that is something we will stay with. Over the last 7-8 years, the whole corporate investment cycle has been subdued; but despite that the bank has been able to grow quite quickly. So when the investment cycle comes back, the bank will be very well-positioned.

You have had a lot of investor meets. What do they want to know?

Investors want to understand how the transition is looking, future strategy and ask questions around our credit portfolio. These are the three things and a lot of their views are based on perception. Once they get our views, we just find them feeling a lot more comfortable.

What about your depositors? How have they reacted to the issues at the bank?

Our retail team has stayed close to depositors, kept them abreast. We want to have a transparent engagement with all our stakeholders including depositors. People understand what we are trying to achieve and at present, the transition may look a little turbulent but they believe in the long-term strategy of the bank. They continue to harbour a lot of goodwill towards the bank and to that extent, we have seen stability in terms of our deposit.

What kind of questions did shareholders at the AGM ask?

We are going through a process of transition. All I will request for is a little bit of patience, they should take comfort from the fact that the issue we are trying to resolve, will get resolved. A lot of shareholders have huge belief in the bank and at the AGM a lot of them said that if we are looking to raise capital why don't we do a rights issue and they will put in money.

What kind of an expansion strategy does YES Bank have?

There are two ways to grow: increasing the footprint from the branch perspective, and the second one is the whole digital enablement. Our growth, going forward in terms of expanding our footprint, will be much more driven by digital enablement rather than brick-and-mortar branches. I believe that the way YES Bank has platformised itself is very commendable and it is way ahead of the curve in terms of technological savviness. We will look at branch expansion but it will be a mix of digital and brick-and-mortar, mainly digital.

What about the recent Board level exits?

It was just coincidental that two board members left at the same time. Both left for personal reasons. But because the two happened around the same time and near to the AGM, it became a little controversial. The process of finding replacements is already under way.

Has YES Bank lost any business to its peers due to the internal issues?

Not really. Whether we look at the asset or liability side, I don't think we have lost any business we wanted to do. Banking is one sector where you always wish your competitors are strong. Because it is a sector which is very inter-dependent. So, it is in everybody's interest that the entire ecosystem is very strong and stable.

What is your view on the current economic situation and your expectation from the Budget?

I expect the Budget to be growth- and development-oriented and also focus on job creation. My sense is that we will see a Budget that will give a big boost to growth, the economy will provide more investment opportunities and there will be more opportunity for banks to participate as well.

Labour reforms, incentives vital to create quality jobs

Alok Puranik | June 27, 2019

BusinessLine

The Indian economy may even be a $3-4 trillion economy in a few years on the strength of its services sector, yet the issue may remain the same — where are the good quality jobs

The Modi government plans to raise the size of GDP to $5 trillion, from $2.75 trillion, by 2024. This indeed is a very ambitious target accompanied by another harsh fact, which was not officially accepted till recently — in 2017-18 India had the highest unemployment rate in the past 45 years at 6.1 per cent. Further, urban unemployment was at 9.7 per cent during October-December 2018. All these targets and data leave us with a question — will India be a country with $5 trillion economy with many smart cities having many un-smart unemployed people?

Development is possible without creating much employment. In fact it has been happening already if one goes through the data of many fast developing companies. Take a look at the balance-sheet of blue chips such as HDFC Bank or Reliance. Growth in their business, revenue and net profit is not matched by the growth in work force. Companies are doing more business with less or almost same or marginally increased work force.

If anybody is prepared to work for Rs.10,000 or Rs.15,000 per month, he or she has a job. However, good quality job is missing. This precisely explains that there is hardly any clamour or dharnas or processions for jobs that were witnessed during the seventies. A recent government survey on labour confirms what is already known to many — 71 per cent of employees do not have any written contract of jobs. Jobs are there, quality is missing.

One reason why quality jobs are missing is that the manufacturing sector is stuck at 16 per cent of GDP for almost three decades. This sector can create quality jobs even for the less-educated. Service sector jobs are usually for the better educated and trained and the data suggests that most of the development took place in the service sector.

In the global export market, India is losing even in traditionally strong areas such as textile to countries like Bangladesh and Vietnam. Good quality jobs in great numbers come from big manufacturing. Can we imagine any Indian factory employing around 2 lakh employees at a single location? The answer is no. In China, one company employs around 2 lakh employees at a single location producing Apple products.

In India quality jobs will require big manufacturing. The Indian economy may even be a $3-4 trillion economy in a few years on the strength of its services sector, yet the issue may remain the same — where are the good quality jobs?

Promoting good quality jobs

The government must consider incentives for job creation and must remove all the hurdles for big manufacturing.

With the ongoing China-US trade war, one must use the opportunity to persuade some big manufacturing units working for US brands to relocate to India. Some labour reforms and incentives may help create lakhs of quality jobs.

Coins of various denominations continue to be legal tender: RBI

Our Bureau Mumbai | June 26, 2019

The Hindu BusinessLine

The Reserve Bank has appealed to members of the public not to give credence to rumours regarding the genuineness of coins of 50 paise, Rs.1,Rs.2, Rs.5 and Rs.10 denomination of various sizes, theme and design. It asked them to continue to accept these coins as legal tender in all their transactions without any hesitation.

"It is reported that there are doubts in some quarters, regarding the genuineness of such coins which has resulted in reluctance on the part of some traders, shopkeepers and members of public to accept coins. This has impeded the free use and circulation of coins in certain pockets of the country," the central bank said in a statement. Meanwhile, following receipt of complaints about non-acceptance of coins by bank branches, the RBI has again advised banks to accept coins of all denominations tendered at their counters for transactions or exchange and ensure strict compliance in the matter.

In this regard, the Reserve Bank appealed to members of the public not to give credence to such rumours and continue to accept these coins as legal tender in all their transactions without any hesitation.

The RBI said it puts into circulation coins minted by the Government of India. These coins have distinctive features.

Coins in new denominations to meet transaction needs of public and coins in new designs to reflect various themes — economic, social and cultural — are introduced from time to time. They remain in circulation for a longer period.