AIBEA's Banking News

17 TO 22 SEPTEMBER 2019

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

# AIBEA, BEFI to go on strike on Oct 22 ; gives notice to IBA Chairman, CLC on 6 demands

Hyderabad, Sep 19 (UNI) UNITED NEWS OF INDIA

All India Bank Employees Association (AIBEA) and Bank Employees Federation of India (BEFI) gave notice to Indian Banks Association (IBA) Chairman Sunil Mehta and Chief Labour Commissioner (Central), Ministry of Labour Rajan Verma on Thursday stating that they proposed to go on strike from October 22 on their six charter of demands.

AIBA General Secretary CH Venkatachalam and BEFI General Secretary Debasish Basu Chaudhury said ''In accordance with the provisions contained in sub-section (1) of Section 22 of the I.D.Act-1947, we hereby give you notice that the members of our unions ---All India Bank Employees Association and Bank Employees Federation of India propose to go on strike from 6.00 am on 22nd October, 2019 to 6.00 am on 23rd October, 2019 on the demands such as Stop Merger of Banks-- Stop Banking Reforms--- Ensure recovery of bad loans, take stringent action on defaulters---Stop harassing customers with penal charges and do not increase in service charges, Increase rate on Deposits--- Stop attacks on Jobs and Jobs Security---and adequate recruitments in all the banks.

The AIBEA and BEFI General Secretaries also marked a copy of the notice to Secretary, Department of Financial Service, Ministry of Finance, Government of India, CMDs/MDs/CEOs of all Banks and Chief Executive, IBA, Mumbai.

Ahead of the strike, Mr Venkatachalam told UNI tonight that, there will be black badge wearing by employees on September 30, Demonstration in all Centres on October 4, Dharna in Mumbai, Delhi, Kolkata, Chennai, Bengaluru, Hyderabad and Mangalore on October 14 and demonstrations/rally at all centres on October 21.

The AIBEA General Secretary said about 3.5 lakh employees in AIBEA and BEFI will take part in the strike.

In a statement, Mr Venkatachalam and Mr Chaudhury said, banks play a very vital role in the economic development of the nation. Especially, when ours is still a developing economy, the role of banks becomes much more crucial and critical to ensure overall development.

In this background, the public sector banks have a very special and pivotal role to play, they claimed.

They said Public sector banking was ushered into in our country when State Bank of India came into being in 1955. Thereafter, 14 major private banks nationalized in 1969 and another 6 private banks were nationalized in 1980. Thus public sector banks became the mainstay of Indian banking.

**Merger of Banks:** In a big bang announcement, Finance Minister Nirmala Sitharaman has informed the nation that 10 Public Sector Banks (PNB, Canara Bank, Union Bank of India,Indian Bank, United Bank of India, Allahabad Bank, Syndicate Bank, Corporation Bank, Oriental Bank of Commerce and Andhra Bank) will be merged into 4 Banks. The meaning is that 6 Banks ( United Bank of India, Allahabad Bank, Syndicate Bank, Corporation Bank, Oriental Bank of Commerce and Andhra Bank) will now get closed.

The Government may call it a merger but in reality it is ''cold-blooded'' murder of 6 Banks. Because, after merger, these 6 Banks which have been built up over the years, will disappear from the banking scenario, the AIBEA and BEFI General Secretaries said.

**Merger of Banks is a diversion from the economic crisis**: The country is facing serious economic slowdown and downturn. Public Sector Banks with their huge resources at their command can play a decisive role to revive the economy. In fact, only last week, Ms

Sitharaman has assigned important taks for Banks in boosting the economy. The decision to merge and close Banks is a total diversion from these tasks.

**Merger is no panacea for problems faced by Banks**: Bank themselves face problems due to huge pile of bad loans. While the Public Sector Banks made a total gross profit of Rs. 150,000 croresfor the year ended 31-3-2019, because of total provisions towards bad loans, etc. amounting to Rs. 2,16,000 crore, the Banks ended in a net loss of Rs. 66,000 crore. Can anyone believe that merger of Banks will result in recovery of the huge corporate bad loans? Rather, as we have observed after merger in SBI, bad loans in SBI has gone up. Same risk is facing these Banks now, they said.

**Nationalised Banks – pillars of our economy:** Banks were nationlaised in 1969 with a very clear social and economic objective of broad-basing the economy and its development. In the last 50 years, the nationalised Banks have made a phenomenal contribution in building up a strong economy with a visible social orientation. 8000 Branches have become 90,000 bank branches today, out of which 40,000 branches in located in rural and semi-urban areas which were earlier neglected. Credit to priority sector has boosted our economy resulting in achievements like green revolution and white revolution, industrial progress, job generation, rural development, etc.

In 2008 when the entire globe was facing financial turmoil and banking tsunami, Indian banking system was safe because of our public sector banks, the top Union leaders contended.

# Govt cuts corporate tax to spur investment, jobs

SPECIAL CORRESPONDENT, GOA, SEPTEMBER 20, 2019THE HINDU

***Finance Minister Nirmala Sitharaman unveils slew of measures including a cut in the Minimum Alternate Tax for all businesses***

In its boldest gambit yet to stir up the economy, the government on Friday issued an ordinance to reduce the corporate tax rate for domestic firms and new manufacturing units by 10 to 12 percentage points, effectively bringing India's tax rates on a par with its competing Asian peers.

Finance Minister Nirmala Sitharaman said that the effective tax rate for domestic corporates, inclusive of surcharges, will fall from 34.94% to 25.17% if they stop availing any other tax sops. For new manufacturing firms set up after October 1, 2019, and commencing operations by March 31, 2023, the effective tax rate will fall from 29.1% to 17%.

The slew of measures unveiled by Finance Minister Nirmala Sitharaman, including a rollback of the enhanced surcharge levied on foreign portfolio investors in the Budget, and a reduction in the Minimum Alternate Tax (MAT) rate from 18.5% to 15% for all businesses, is estimated to cost the exchequer Rs.1,45,000 crore a year in terms of revenue foregone.

Ms. Sitharaman said she was conscious of the impact of the package on the government's fiscal arithmetic and the 3.3% fiscal deficit target for the year, but the government was betting on "more investments leading to more jobs and economic activity that would shore up revenues."

"Today, we propose to slash the corporate tax rates for domestic companies and also for new manufacturing companies. We have issued an ordinance to amend the Income Tax Act of 1961 and the Finance Act of 2019," she said.

"In order to promote growth and investment, a new provision has been inserted in the Income Tax law to allow any domestic company to pay income tax at the rate of 22% (from 30%), subject to the condition that they won't avail any other (tax) incentives or exemptions. There will be no MAT levied on them and the effective tax rate for such firms will be 25.17%, including all surcharges and cess," the Finance Minister said.

To spur fresh investments and boost Make in India efforts, for new manufacturing companies incorporated after October 1, 2019 and commencing production by March 31, 2023, the income tax rate will be

15% from 25% at present. The effective tax rate for these companies will be 17.01%, compared to 29.1% at present. These firms will also be exempt from MAT.

"In order to provide relief to firms who want to continue with the existing regime of exemptions, we are giving some MAT relief — the tax rate has been reduced from 18.5% to 15%," the Minister said.

These tax cuts include a reduction in the surcharge on corporate income tax from 12% to 10%, pointed out Revenue Secretary Ajay Bhushan Pandey, stressing that the effective rate for MAT would also fall sharply. "The MAT rate of 18.5% along with surcharges used to be around 21% or 22%. Now that basic MAT rate has been reduced to 15%, and once you add up the surcharges, that comes to around 17% in the new regime," he said.

**Lowest in South East Asia**

The Finance Minister said that following these changes, India's have become comparable with the lowest tax rates in South East Asian countries.

"In the face of global headwinds, this puts India right up on the map as a forward looking, business friendly and competitive operating environment," said Naveen Aggarwal, partner and chief operating officer, Tax, KPMG in India

Firms currently availing income tax exemptions and incentives can opt for the new concessional tax regime with a headline tax rate of 22% after the expiry of their existing tax holidays or exemption periods. "This option, once exercised, cannot be withdrawn, so as to ensure there are no flip-flops," Ms. Sitharaman said.

The Minister said that foreign investors could also avail of the new tax rates, provided they had an establishment in the country or were investing equity into an Indian firm..

Responding to concerns about the impact of the foregone revenue on the Centre's fiscal deficit target of 3.3% of the GDP for 2019-20, Ms.

Sitharaman said: "We are conscious of the impact this will have. We will be taking all concerns on board to reconcile how the situation is now and how to take it forward," and stressed that economic buoyancy "itself will generate more revenue generation through higher incomes and the tax basket would widen.'

The larger idea behind the exercise, the Minister said, was to eventually phase out all exemptions and incentives. On the other hand, surcharges on income tax would be eased out too, she hinted, in response to a query.

# Rich will benefit, poor left to fend for themselves: Sibal on tax cut

PTI
NEW DELHI, SEPTEMBER 21, 2019
THE HINDU

***The Congress on September 20 had termed the corporate tax cut a "panic reaction" by the government and linked it to the "Howdy Modi" event in Houston***

Senior Congress leader Kapil Sibal on Saturday attacked the government over its move to cut corporate tax, alleging that the rich will benefit while the poor left to fend for themselves.

The government on September 20 slashed corporate tax rates for companies by almost 10% points to 25.17% and offered a lower rate to 17.01% for new manufacturing firms to boost economic growth rate from a six-year low by incentivising investments to help create jobs.

"Howdy Modi. Corporate Diwali. India foregoes 1.45 lakh cr. revenue. Need Diwali for needy folk!" Sibal said in a tweet. The Congress on September 20 had termed the corporate tax cut a "panic reaction" by the government and linked it to the "Howdy Modi" event in Houston, with Rahul Gandhi saying he is amazed at what Narendra Modi can do for a "stock market bump" before the diaspora programme.

# India Inc celebrates Diwali with Corporate tax cut

Piyush Pandey & Yuthika Bhargava
MUMBAI/NEW DELHI, SEPTEMBER 20, 2019
THE HINDU

***Corporate tax cut revives the animal spirits in Corporate India***

Chieftains of India Inc. cheers government decision to reduce corporate tax, a move seen to spur investments, revive growth and the animal spirits in Corporate India.

Finance Minister Nirmala Sitharaman on Friday announced to reduce corporate tax to 22% and for new manufacturing companies set-up post October 2019 to 15%.

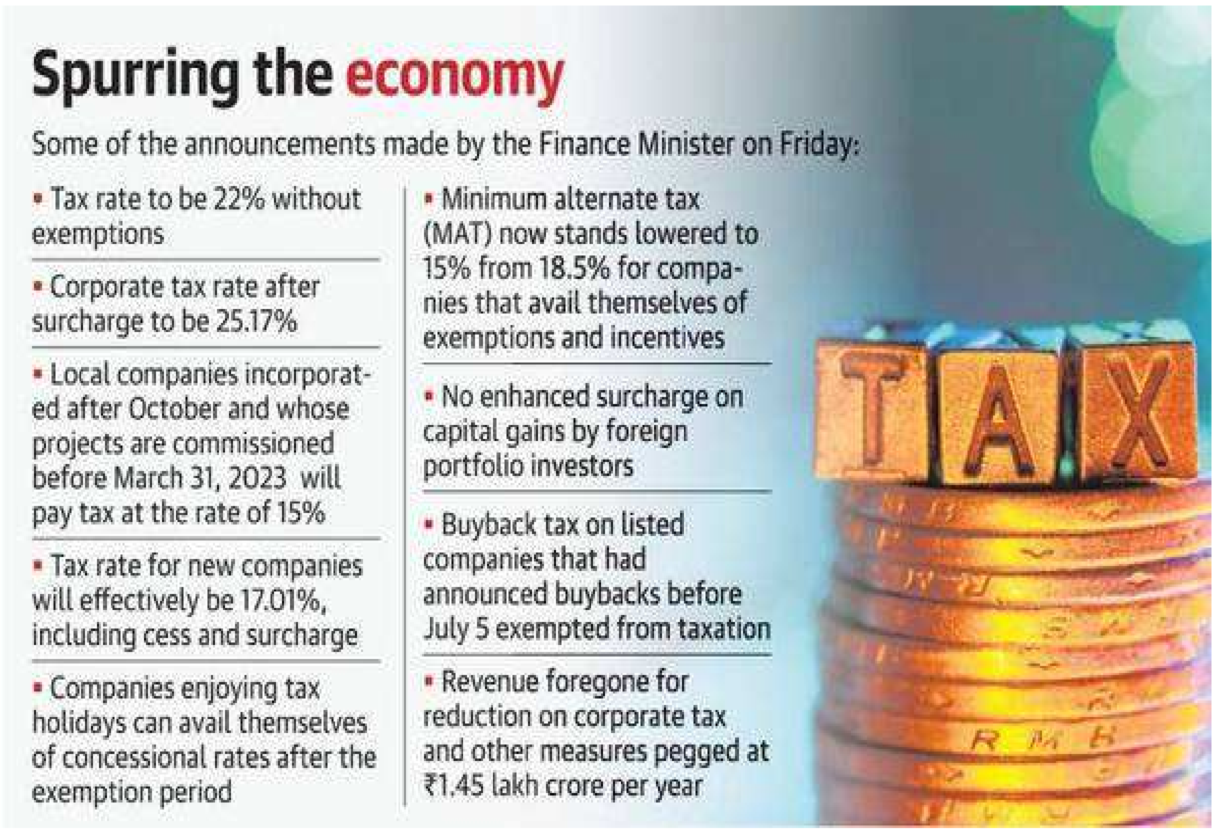
Welcoming the move, N Chandrasekaran, Chairman, Tata Sons said, "This is a big respite which would give the required stimulus to the economy. The reduction of MAT will also enable companies to optimize their cash flows leading to increased investments. A great step towards the 5 trillion economy!"

Kumar Mangalam Birla, chairman of Aditya Birla Group, believes that government's decisive steps to pump-prime the economy will lead to a big reset and revive animal spirits in Corporate India.

"The reduction in corporate tax rates will not only lead to economic buoyancy but will also make Indian Industry more competitive globally. Beyond the immediate benefit of an investment incentive for the manufacturing sector, these steps will also lead to a paradigm shift in mindset. Above all, these measures only reaffirm the government's willingness to move beyond incrementalism and act with conviction to pursue economic reforms," said Mr. Birla.

Sajjan Jindal, chairman of JSW Group sees this move as a timely stimulus. "These are welcome steps that would not only revive the sentiment but also enhance the competitiveness of the Indian industries. The massive amount of savings in corporate tax due to the measures declared today aggregating to Rs.1,45,000 crore is a timely stimulus for the revival of our economy," Mr. Jindal told ***The Hindu***.

According to Harsh Goenka, Chairman — RPG Enterprises, FM has set the direction for pumping up the economy. "Like ***Chandrayaan***, Sensex shoots off on the right trajectory reassuring everyone that hope should not be lost. The slash in corporate tax is a positive move that will help enterprises create long-term value and favourably impact the economy," Mr. Goenka told ***The Hindu***.




"The slew of measures announced by the Finance Minister have come as a much needed gust of fresh air to resurrect and pump prime the economy. The bold and positive move to rationalize the corporate tax structure will help kick-start the next big economic upcycle," Sunil Bharti Mittal, Founder and Chairman, Bharti Enterprises.

Some CEOs took on the social media to welcome the move. "Looks like Diwali has come early," Mahindra and Mahindra Managing Director Pawan Goenka tweeted.

Finance Minister also announced the reduction of Minimum Tax Rate (MAT) from 18.5% to 15%

“Amidst these challenging times, the reduction in corporate tax & MAT will infuse confidence in the economy. It also addresses the core challenge of liquidity reinstating India as an attractive investment destination,” Gautam Adani, Chairman, Adani Group, tweeted.

“Woke up in the U.S to this news. The best way to start the day. Not only because companies will pay less tax.But because this isn’t just another policy tweak. @nsitharaman fired a shot that will be heard around the world. India has sent an invitation letter to global investors,”Anand Mahindra, chairman Mahindra Group tweeted.

Ashish Chauhan, MD and CEO, BSE believes that Indian corporate tax rates have come down to amongst the lowest in the world especially for the new manufacturing companies.

“These decisions will be celebrated as historic and will go a long way in improving ‘Ease of Doing Business In India ‘ even further. These measures will further boost the investor confidence and start the investment cycle. Removal of surcharge for domestic investors in line with the FPIs, will go long way in bringing much needed fresh investment and animal spirit in the India capital markets,” Mr. Chauhan said.

According to Mercedes-Benz India MD & CEO Martin Schwenk, the reduction in corporate tax will promote investment, help sustain profitability during challenging times and should also improve buying sentiments, thus helping the auto sector in long term.

Mr. Gopichand P. Hinduja, Co-Chairman — Hinduja Group believes that the reduction in corporate tax was needed for Indian economy revival and manufacturing sector.

“It shows government is well seized of the economic challenges facing all of us. I only wish more such steps, which government is already contemplating, could be taken together in one go like tapping NRI investments, with this one so as to create deeper impact, instill more confidence in economy and amongst Corporates,” said Mr. Hinduja.

“This is a welcome move which will help Indian companies compete better on the global stage. India Inc must now do its bit to invest more of its retained earnings in R&D and innovation, which are the surest guarantors of international competitiveness,” said Mukund Rajan — Chairman, ECube Investment Advisors.

# Move positive for economy, says Das

SPECIAL CORRESPONDENT
MUMBAI, SEPTEMBER 20, 2019
THE HINDU

***Interest rate cut will depend on incoming data, says RBI Governor***

The reduction in corporate tax rate announced by Finance Minister Nirmala Sitharaman was a bold move and augurs well for the economy, Reserve Bank of India Governor Shaktikanta Das said.

“These are definitely bold and welcome measures. It will augur extremely well and will be highly positive for the economy,” Mr. Das said at an event organised by the India Today group.

One of the major drawbacks that the country had was high corporate tax rates and Friday’s cut would take the country closer to the rates prevailing in emerging economies such as Thailand, and the Philippines, he said.

**Exchequer hit**

The revenue foregone on reduction in corporate tax and other relief measures will be Rs.1.45 lakh crore annually.

On Thursday, the RBI Governor had said there was little scope for fiscal expansion.

**‘Not comparable’**

On Friday, Mr. Das said that future rate cuts would depend on the incoming data but cautioned that India could not afford to have lower interest rates as in advanced economies.

“How much more can we go down (with the rate cuts)? We cannot go down to the levels of advanced economies. But how much we can go down will depend on the incoming data and other developments,” the RBI Governor said.

He said most of the advanced economies were having near-zero inflation and therefore, their rates were also low.

“But our inflation target is 4%, and therefore, that should be the guiding force.”

On Thursday, he, however had said, the central bank had room for rate cuts as inflation was projected to be less than 4% over the next 12 months.

The Reserve Bank has reduced the interest rate, the repo rate, by 110 bps during February and August to boost economic growth. The GDP growth for the first quarter of the current financial year dropped to a 25-quarter low of 5%.

# What corporate tax cut means for the Indian economy

Prashanth Perumal
SEPTEMBER 20, 2019
THE HINDU

***The corporate tax cut is part of a series of steps taken by the government to tackle the slowdown in economic growth***

In its boldest gambit yet to stir up the economy, the government on Friday issued an ordinance to reduce the corporate tax rate for domestic firms and new manufacturing units by 10 to 12 percentage points, effectively bringing India’s tax rates on par with its competing Asian peers.

Finance Minister Nirmala Sitharaman said that the effective tax rate for domestic corporates, inclusive of surcharges, will fall from 34.94% to 25.17% if they stop availing any other tax sops. For new manufacturing firms set up after October 1, 2019 and commencing operations by March 31, 2023, the effective tax rate will fall from 29.1% to 17%.

**The story so far:**

Finance Minister Nirmala Sitharaman on Friday, among other things, announced a significant cut in corporate tax rates, thus bringing down the effective tax rate (including various cesses and surcharges) on corporations from 35% to 25%. Also under the new corporate tax policy, new companies that set up manufacturing facilities in India starting in October and commence production before the end of March, 2023 will be taxed at an effective rate of 17%. Following the government's decision, both the Nifty and the Sensex rose over 5%, which is their biggest one-day rise in a decade.

**Why is the government cutting taxes?**

The corporate tax cut is part of a series of steps taken by the government to tackle the slowdown in economic growth, which has dropped for five consecutive quarters to 5% in the June quarter. The most immediate reason behind the tax cut may be the displeasure that various corporate houses have shown against the government's policies. Many investors, for instance, were spooked by the additional taxes on them that were announced by the government during the budget in July and began pulling money out of the country. The government hopes that the new, lower tax rates will attract more investments into the country and help revive the domestic manufacturing sector which has seen lackluster growth.

**What impact will it have on the economy?**

Tax cuts, by putting more money in the hands of the private sector, can offer people more incentive to produce and contribute to the economy. Thus the present tax cut can help the wider economy grow. The corporate tax rate, it is worth noting, is also a major determinant of how investors allocate capital across various economies. So there is constant pressure on governments across the world to offer the lowest tax rates in order to attract investors. The present cut in taxes can make India more competitive on the global stage by making Indian corporate tax rates comparable to that of rates in East Asia. The tax cut, however, is expected to cause a yearly revenue loss of Rs.1.45 lakh crore to the government which is struggling to meet its fiscal deficit target. At the same time, if it manages to sufficiently revive the economy, the present tax cut can help boost tax collections and compensate for the loss of revenue.

**What lies ahead?**

Some see the present tax cut simply as a concession to corporate houses rather than as a structural reform that could boost the wider economy. They believe that the current economic slowdown is due to the problem of insufficient demand which cannot be addressed just through tax cuts and instead advocate greater government spending to boost the economy. Others, however, argue that lackluster demand faced by sectors like automobiles is merely a symptom of supply-side shocks such as the goods and services tax that have affected various businesses and caused job losses. If so, tax cuts and other supply-side reforms can indeed help the economy recover from its slump. However, the government will also need to simultaneously enact along with these tax cuts other structural reforms that reduce entry barriers in the economy and make the marketplace more competitive. The government could, for instance, extend the tax cuts to smaller businesses. The benefits of the present tax cut will also depend on whether the government sticks to its promises in the long run. Investor confidence in the past, it is worth noting, has been affected by retrospective changes to the law made by governments in the past.

# In liquidity push, PSBs plan 'loan melas' in 400 districts

SPECIAL CORRESPONDENT
NEW DELHI, SEPTEMBER 19, 2019
THE HINDU

***Nirmala Sitharaman said the idea is to ensure maximum credit disbursal during the festive season***

In a bid to dispel the notion that only the banks have liquidity and it is not flowing to the NBFCs and the customers, Finance Minister Nirmala

Sitharaman on Thursday announced that all scheduled banks will hold large gatherings in a total of 400 districts, where customers can come and take any type of loan they want from the banks and the NBFCs partnering with them.

The Finance Ministry, in a release, added that banks had already entered into 14 tie-ups with NBFCs for co-originating **loans,** with another 36 such tie-ups in the pipeline.

Ms. Sitharaman added that no MSME stressed loan would be classified as an NPA until March 31, 2020. “The perception is that the banks have the liquidity and this is not going to the NBFCs and from there to the end customers,” she said at a press conference, following a meeting with the heads of the public sector banks.

“We have decided that in 200 districts between now and September 29, there will be gatherings organised by banks of the NBFCs they have partnered with,” she added. Another 200 districts will see these gatherings organised between October 10-15.

The programme, which will be headed by Minister of State for Finance Anurag Thakur, is meant to encourage customers to avail of not just retail, agriculture, and MSME loans, but also loans for vehicles and housing, and Mudra loans.

“In public, the banks will show that they are pushing liquidity into the system,” Ms. Sitharaman said.

The Finance Minister said she has asked banks to try to get five new borrowers for every existing customer availing of a loan.

“There are several MSMEs that want a one-time settlement of their dues,” Ms. Sitharaman said. “We have instructed the banks to give us the number of such cases between July 1 and September 30.” While there is an existing RBI provision that empowers banks to not classify stressed MSME loans as NPAs even if the 90-day limit is crossed, most banks had not used this provision, she said.

"We have told the banks that no MSME-stressed loan will be classified as an NPA until March 31, 2020 and the banks will have work with these MSMEs to see how to resolve the stress, even if that means additional credit be given," Ms. Sitharaman added. The government will also be considering the banks' request for a special dispensation to be given for farmers and MSMEs.

The government release said bank disbursement stood at Rs.11.83 lakh crore for the MSME sector in FY 2018-19 compared with Rs.8.53 lakh crore in FY 2017-18.

# Liquidity stress in realty a credit negative for banks, says Moody's

SPECIAL CORRESPONDENT
MUMBAI, SEPTEMBER 19, 2019
THE HINDU

***'Altico's default signals cash crunch among developers'***

Credit rating agency Moody's has said that the increasing liquidity stress among real estate developers would indirectly hit Indian banks and is thus credit negative for the domestic lenders.

"On September 12, real estate-focussed non-banking financial company (NBFC) Altico Capital India Ltd., defaulted on a scheduled interest payment on a loan because of insufficient liquidity. Although Indian banks' exposure to Altico Capital is fairly modest and accounts for less than 0.1% of total banking system loans, the default signals increasingly tight liquidity among property developers, a credit negative for Indian banks, given their significant exposure to the real estate sector," Moody's said.

"We believe Altico Capital is facing liquidity constraints because of a deterioration in the credit quality of its loans to real estate developers, which are facing difficulty in repaying and refinancing their maturing obligations as a result of slowing property sales," it said.

Moody's said Altico Capital's default came after Dewan Housing Finance Ltd. defaulted on its loan obligations in July because of insufficient liquidity, raising questions about its solvency.

"Among the banks we rate, Yes Bank, IndusInd Bank have the largest direct exposure to the commercial real estate (CRE) sector, and would be susceptible to asset quality difficulties if the real estate sector continues to slow," it said.

Other rated private sector banks such as ICICI Bank and Axis Bank are also significantly exposed to the sector, it said.

**Indirect exposure**

Indian banks also have indirect exposure to the real estate sector through their lending to NBFCs and HFCs, which also lend to real estate developers. Based on data from the Reserve Bank of India, the overall exposure of NBFCs and HFCs to the real estate sector was only about 6.0% of their total assets as of March 31, 2019.

However, some NBFCs and HFCs are more exposed than others, making them vulnerable to a slowdown in the sector.

# India's corporate tax rate is now among the lowest globally

Rajalakshmi Nirmal | September 21, 2019
BL Research Bureau
THE HINDU BusinessLine

***Lower the better: Though the incentive is only for companies that do not claim any exemption, it is a big move that brings India on par with peers in Asia and across the globe***

***At 22 per cent statutory rate, the tax rate is lower than the global average***

With the Finance Minister Nirmala Sitharaman announcing a sharp cut in tax rates for corporates, India is now among the countries that have a low corporate tax rate. Though the incentive is only for companies that do not claim any exemption, it is a big move that brings India on par with peers in Asia and across the globe.

India's statutory rate for corporate tax is 22 per cent now, down from 30 per cent.

For the current year, KPMG data shows that the statutory tax rate in Myanmar is 25 per cent, in Malaysia, it is 24 per cent, in Indonesia and Korea 25 per cent and Sri Lanka 28 per cent. Even Chinese companies cough up more – they pay a tax of 25 per cent and Brazil 34 per cent.

The global average corporate tax rate is 23.79 now, and the Asian average is 21.09 per cent.

Since 2003, while globally countries have witnessed sharp cuts in corporate taxes, in India, it had stayed around 30 per cent.

The Finance Minister's corporate tax cut will aid Indian companies to compete better globally.

When Arun Jaitley announced the move to rationalise taxes in 2015-16, the intention was to bring it down the corporate tax rate to 25 per cent from 30 per cent. Finance Minister Nirmala Sitharaman's move to take it lower to 22 per cent, is a big positive.

Manufacturing companies incorporated after 1 October 2019, will have the benefit of an even lower rate of 15 per cent (effective tax rate of 17.01 per cent). Also, companies not availing exemptions and tax incentives will not be required to pay minimum alternate tax (MAT).

**Revenue foregone**

The current move to cut taxes are though going to make a hole in the government’s tax kitty. Last year, as per the Budget estimates, the revenue foregone by the Centre on various tax incentives were Rs.1.08 lakh crore. Now, with tax cuts, there will be an additional revenue loss of Rs.1.45 lakh crore.

# Bank credit must grow 12% year-on-year for India to become a $5-t economy: SBI

Our Bureau Kolkata | September 20, 2019

THE HINDU BusinessLine

***Mega mergers will help strengthen the nation’s banking system, says MD***

Dinesh Kumar Khara, Managing Director, State Bank of India, said that bank credit must grow 12 per cent on year-on-year basis till 2024 if India has to become a $5-trillion economy. Bank credit, which is at Rs.98-lakh crore at present, should go up to Rs.400-lakh crore to be able to achieve the target. Supporting the mega bank merger move by the Finance Ministry, he said that the move would help strengthen the country's banking system and help achieve the target of becoming a $5-trillion economy.

"Though mergers create initial pain points, the benefits in the long run, will far outweigh the former, and an efficient use of capital and manpower will help the economy evolve into a globally significant one," Khara said at a banking colloquium organised by CII here on Friday.

Citing the example of the SBI merger, he said that the process helped in rationalising the number of branches, optimising staff strength, pooling skill-sets, and boosting the financial health of the merged institutions. The bank has saved Rs.4,350 crore in rationalising human resources and bank branches, Rs.1,800 crore from other savings and treasury operations, and Rs.400 crore through reduction in cost of resources.

**Private sector investment**

Sujit Kumar Verma, Deputy Managing Director, State Bank of India, said that private sector investment, which has been largely muted in the last 12-18 months, is expected to pick up starting October. "The moment the government starts large infrastructure spending, corporate investment is bound to come; it is just a matter of time," he said.

Private sector investors or corporates have not been investing despite having the capacity to do so as they are not very confident of sustained demand.

The government's announcement on Friday to slash the effective corporate tax to 25.17 per cent, inclusive of all cess and surcharges for domestic companies, will be a good incentive for corporates to invest.

"This (announcement) is something that will open up new avenues for corporates to reconsider because the profits that will be available for corporates to pay dividends or to invest will be higher. So, it will be an added incentive for corporates to invest," he said.

The timing of the announcement also coincides with the festival season, which is when credit demand picks up traditionally.

**Rural growth**

The demand side will also be taken care of with consumer confidence coming back once people are confident about having sustained jobs. Besides, the government is also looking at ways and means to spur the rural economy.

"Demand is also affected as disposable income in the hands of the rural population has come down. Inflation is at an all-time low, so the remuneration that a farmer gets for his produce is commensurately lower, and so his disposable income is lower. So, I think, in some way, the government will try to put more money in the hands of rural people," he said. The good monsoon this year is likely to lead to better crops and, hence, higher disposable income.

An improved investment climate will attract more investments – both domestic and foreign – which, in turn, will improve job creation, leading to higher savings. This will help bring in more investments, resulting in a multiplier effect.

"The government has done everything that is possible and will possibly have more ammunition. The government does not want to exhaust all its ammunition in one go, and that is why they are doing it in phases," he said.

# RBI is more than 100 per cent autonomous in decision-making: Shaktikanta Das

PTI Mumbai | September 20, 2019

THE HINDU BusinessLine

***Nobody interferes in my decision-making, the RBI Governor said***

Asserting that the Reserve Bank of India is more than autonomous, Governor Shaktikanta Das, on Friday, said that though the central bank engages with the government in free and frank discussions, there is no interference from it when it comes to taking decisions.

Das said the differences of opinion between the government and the monetary authority happens in all the countries as the perspectives are different, but it is essential to discuss, talk and resolve the differences.

“Let me tell you, there is lot of interaction between the RBI and the government. But, so far as decision-making is concerned or taking a final call on any issue is concerned, I can tell you, with all my confidence, that they are taken by the RBI and the RBI is more than 100 per cent autonomous in decision-making. Nobody interferes in my decision-making,” Das said at an event.

He said there has to be exchanges of ideas and explaining one’s position to the other is necessary as it creates a harmonious and healthy relationship. The conversations with the government cannot be stopped because the government is the sovereign, and the RBI is part of the sovereign, he underlined.

**‘Not a cheerleader’**

“The RBI is not a cheerleader for anyone but people who say the central bank should not be a cheerleader for the government, I have one question: Do you expect the central bank to go on lecturing and abusing the government on the economy?” Das wondered aloud.

There will be differences of opinions, there is a difference of opinion between the RBI and the government on several issues, but we do talk and these discussions are internally, he explained. “If at the drop of a hat, I rush to the media and make a statement expressing my differences with the government, then what it is going to achieve,” Das asked and said it is desirable that such expression of dissent is done internally. “In fact, let me may tell you when you have such discussions, the central bank carries greater weight in getting things which it wants to get done,” the governor said.

It can be recalled that during the tenors of the past two governors — Raghuram Rajan and Urjit Patel — the differences between the government and the Mint Road began to spill onto the public domain. This had both of them leaving and also the deputy governor Viral Acharya.

# Fiscal deficit may touch 4% mark post FM announcement

Radhika Merwin | September 20, 2019 BL Research Bureau

THE HINDU BusinessLine

***The bond market reacts negatively***

The Finance Minister Nirmala Sitharaman's corporate tax rate cut has cheered India Inc and equity market. But bond markets have reacted negatively, as the yield on 10-year G-Sec climbed 20 basis points post the FM's announcement.

What is bothering the bond markets is the Rs.1.45 lakh crore revenue foregone figure due to reduction in corporate tax rate that can upset the 3.3 per cent fiscal deficit target number. After the Bimal Jalan Committee-recommended surplus transfer by the RBI, that offered some respite to the Centre, the latest announcement has brought the focus back on the fiscal deficit.

How will the Centre meets its fiscal target?

**The math**

Let us start by looking at the RBI surplus number. Excluding the Rs.28,000 crore interim dividend already paid by the RBI to the Centre last fiscal, the net transfer in the current financial year amounts to Rs.1,48,051 crore.

This is essentially about Rs.60,000-65,000 crore above what was estimated in the Budget, by way of dividends from the RBI. This tidy amount would have helped the Centre's fiscal deficit, by making up for the shortfall in the Centre's tax collections to a great extent.

Based on CGA provisional figures for FY19 (in which income tax grew by a modest 7 per cent), the estimated growth in income tax collections for

FY20 works out to 23 per cent. For April-July, CGA data suggests that the growth from net income tax was just about 6 per cent. There is a lot of uncertainty over GST collections too. Hence the RBI's surplus could boost overall revenue for the Centre and help meet its fiscal deficit target, at best. There was little scope for stimulus in any case. Fiscal deficit is already 77 per cent of the full year target.

Thus the latest stimulus offered by the Centre by way of corporate tax rate cut leading to Rs.145,000 crore of revenue foregone would impact the fisc by about 60 basis points.

Hence the fiscal deficit target could well touch the 4 per cent mark.

**Nominal GDP plummets**

The joker in the pack is still the underlying growth in the economy. While the real GDP growth has fallen from 8 per cent last year to 5 per cent this fiscal in the April-June quarter, the sharp fall in nominal GDP growth from 12.6 per cent to 8 per cent during this period, is worrisome.

The Centre's 3.3 per cent fiscal deficit target assumes a 11 per cent growth in nominal GDP growth for FY20 (from CSO's FY19 estimates).

Given the current sharp slowdown and the underlying trend in inflation, such growth appears a tall task. If growth falters further then the fiscal deficit target can move beyond 4 per cent levels!

# RBI unveils norms to resolve disputes related to failed digital transactions

Our Bureau Mumbai | September 20, 2019

THE HINDU BusinessLine

The Reserve Bank of India (RBI), on Friday, unveiled a framework on harmonisation of Turn Around Time (TAT) for resolution of customer complaints related to failed transactions across all authorised payment systems and compensation for such transactions.

**Customer confidence**

The central bank said the framework will result in customer confidence and bring in uniformity in the processing of failed transactions, which have not been fully completed due to any reason not attributable to the customer.

In the case of transactions at Automated Teller Machines (ATMs), including micro-ATMs, if a customer's account is debited but cash is not dispensed, the timeline for auto-reversal of the failed transaction is T (the day of transaction) + 5 days.

The compensation payable is Rs.100 per day of delay beyond T + 5 days to the credit of the account holder.

In the case of transactions at Point-of-Sale (PoS) (Card Present), including cash at PoS, as well as Card Not Present (e-commerce), if the account is debited but confirmation is not received at merchant location, the timeline for auto-reversal of the failed transaction and compensation payable is the same as for failed transactions at ATMs.

In the case of transactions involving card-to-card transfer, if the card account is debited but, the beneficiary card account is not credited, the transaction has to be reversed latest within T + 1 day if credit is not effected to the beneficiary account. The compensation payable in this case is Rs.100 per day of delay beyond T + 1 day.

In the case of transactions using the Unified Payments Interface (UPI), if the customer's account is debited but the beneficiary's account is not credited (transfer of funds), the auto reversal by the beneficiary bank should be latest on T + 1 day.

The compensation payable in this case is Rs.100 per day of delay beyond T + 1 day.

When the account is debited, but the UPI transaction confirmation is not received at the merchant location (payment to merchant), the timeline for auto-reversal is within T+5 days. The compensation payable in this case is Rs.100 per day of delay beyond T + 5 days.

The RBI observed that a large number of customer complaints emanate on account of unsuccessful or 'failed' transactions. Failure could be on account of various factors not directly attributable to the customer such as disruption of communication links, non-availability of cash in ATMs, time-out of sessions, noncredit to beneficiary's account due to various causes, etc.

Rectification / Compensation paid to the customer for these 'failed' transactions is not uniform. Hence, the central bank has put together the framework on TAT for resolution of customer complaints and compensation framework across all authorised payment systems.

# RBI asks banks to cover risk sensitive areas under concurrent audit

Our Bureau Mumbai | September 20, 2019

THE HINDU BusinessLine

The Reserve Bank of India (RBI) has asked banks to cover risk sensitive areas identified by them as per their specific business models under concurrent audit. It also said follow-up action on the concurrent audit reports and rectification of the deficiencies should be accorded high priority by the Head Office/Controlling Office of the concerned branch/business unit of the bank.

In its revised guidelines on the concurrent audit system in banks, which comes in the backdrop of the Rs 13,600 crore letter of credit fraud at Punjab National Bank and the IL&FS imbroglio rattling the financial system, the RBI said the broad areas of coverage under concurrent audit will be based on the identified risk of the unit and must include random transaction testing of sufficiently large sample of such transactions wherever required.

The detailed scope of the concurrent audit, which aims at shortening the interval between a transaction and its independent examination, may be determined and approved by the Audit Committee of the Board of Directors (ACB)/Local Management Committee ((LMC).

The minimum areas of coverage under the concurrent audit include cash transactions including physical verification of cash, etc.; and loans & advances including physical verification of securities, delegation of Powers for sanction, security charge creation, end use verification of funds, monitoring of accounts with excess drawings, monitoring of projects, etc.

The other areas that the audit should go into are: adherence to Know-Your-Customer/Anti Money Laundering guidelines including monitoring of transactions in accounts, compliance with Foreign Account Tax Compliance Act and Common Reporting Standards, monitoring of transactions in new accounts/staff accounts, reporting of cash transactions/suspicious transactions, etc.; remittances/bills for collection including SWIFT transactions, monitoring of overdue statements (bills purchased/discounted/negotiated, etc.); non-fund based business; foreign exchange transactions.

S Ravi, practising Chartered Accountant, said: "The guidelines by RBI on concurrent audit is exhaustive, requiring banks to identify risk sensitive areas. These areas must be in the ambit of the audit." As per the guidelines, if external firms are appointed and any serious acts of omission or commission are noticed in their working, their appointments may be cancelled after giving them reasonable opportunity to be heard and the fact shall be reported to ACB/LMC of the bank, RBI and ICAI.

The bank should frame a policy for fixing accountability in cases of serious acts of omission or commission noticed in the working of bank's own staff or retired staff, working as concurrent auditors.

The ACB/LMC of the bank should decide the maximum tenure of external concurrent auditors with the bank. Generally, tenure of external concurrent auditors with a bank should not be more than five years on continuous basis.

Further, the age limit for retired staff engaged as concurrent auditors may be capped at 70 years. However, no concurrent auditor should be allowed to continue with a branch/business unit for a period of more than three years. The guidelines require the ACB/LMC of the bank to review the effectiveness of the Concurrent Audit system as well as the performance of the concurrent auditors on an annual basis and take necessary measures to suitably strengthen the system.

# RBI to ensure mega bank mergers are non-disruptive, says Shatikanta Das

PTI | September 20, 2019

THE FINANCIAL EXPRESS

***The governor said the transition has to be non-disruptive in terms of credit disbursements, loan repayments, loan collections and all other functions of banking should not be affected***

***Of the 10 banks getting merged, only a few of them have so far received the board mandate and none of them have moved the RBI seeking approvals***

The Reserve Bank is in discussions with the government to ensure that the mega bank merger process is carried out in a non-disruptive, governor Shatikanta Das said Friday. The critical issue is to ensure that the process of transition following the merger should be in the most non-disruptive manner, he said. Last month, the government had announced creation of four large state-run banks by merging ten of them. The will take down the number of total state-owned banks to 12 from the 19 this April. "This is an issue which is also being discussed between the government and the RBI so as to ensure that the entire process of transition is non-disruptive," Das said at an India Today event.

The governor said the transition has to be non-disruptive in terms of credit disbursements, loan repayments, loan collections and all other functions of banking should not be affected. Of the 10 banks getting merged, only a few of them have so far received the board mandate and none of them have moved the RBI seeking approvals.


ALL INDIA BANK EMPLOYEES' ASSOCIATION

AIBEA

*Central Office: PRABHAT NIVAS*

*Singapore Plaza, 164, Linghi Chetty Street, Chennai*-600001

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in