



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)
163/4, Kutcheri Road, Mylapore, Chennai - 600004
E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
-----------------------------------------------------------------------------	----------------------------------------------------------------------	------------------------------------------------------------------------	--------------------------------------------------------------------------------

Dear Comrades,

5th August, 2016

News of Interest 5th Aug

QUOTE OF THE DAY

“NEVER PLAY WITH THE FEELINGS OF OTHERS, BECAUSE YOU MAY WIN THE GAME BUT THE RISK IS THAT YOU WILL SURELY LOSE THE PERSON FOR A LIFE TIME”

SHAKESPEARE

HIGH LIGHTS

- 1. TACKLING BAD LOANS FIRST PRIORITY FOR PSBS: RAI**
- 2. RBI SETS UP COMMITTEE TO LOOK AT HOUSEHOLD FINANCES IN INDIA**
- 3. GOVERNMENT TO NAME MPC NOMINEES SOON**
- 4. CENTRE BOWS TO STATES, MAY SET GST RATE AT 20% OR MORE**
- 5. RBI MONETARY POLICY: AUGUST LIKELY TO SEE NO CHANGE**
- 6. NEED TO TACKLE ILLEGAL DEPOSIT RISING WHILE THE ACT IS LIVE: RAGHURAM RAJAN**
- 7. RBI EASES NORMS IN CHEQUE DISHONOUR CASES OF RS 1 CRORE AND ABOVE**
- 8. GST IMPACT ACROSS SECTORS: TAKE A LOOK AT THE WINNERS AND LOSERS**

Business Standard

1. Tackling bad loans first priority for PSBs: Rai

Bad loan recovery is absolutely on top of agenda so that lending process can start again, the Banks Board Bureau chief said

Abhijit Lele

Giving primacy to the resolution of stressed assets, Banks Board Bureau (BBB) Chairman Vinod Rai on Thursday said the consolidation in public sector banks (PSBs) should follow steps to make lenders financially sound by tackling bad loans.

The gross bad debt of Indian banks touched almost Rs 6 lakh crore at the end of March 31. Of this, PSBs account for Rs 5.4 lakh crore. In percentage terms, the gross non-performing assets (NPAs) account for 7.6 per cent of the loan book at

the end of March 2016, up from 5.1 per cent in September 2015, according to RBI data.

"Banks are engaged in resolution of their stressed assets. So, what we are proposing to do is, resolve that quickly first because we don't want to saddle banks with greater issues," Rai said after delivering the 22nd Lalit Doshi Memorial lecture here.

"Consolidation is not a small issue. It needs huge amount of human resource. So it will come by and by. Work is in progress. We will figure out methods (for consolidation) in due course of time. Bad loan recovery is absolutely on top of the agenda so that the lending process can start again," Rai said.

The government in the Budget had said it will kick-off consolidation phase in the public sector banks and will dilute its share in IDBI Bank to below 50%.

State Bank of India, country's largest bank, is planning to consolidate its five associate banks with itself but the progress towards that have remained insipid.

On query about idea of banks buying assets of defaulting companies if assets are not sold in time, he said this is one of the ideas being discussed to deal with stressed loans.

The Reserve Bank of India (RBI) has given the freedom to banks to take over a defaulting company by converting their debts into equity. However, the scheme, strategic debt restructuring, while invoked on a dozen companies have largely been a failure. Banks have not managed to find new buyers for the assets, prompting RBI to bring out another restructuring scheme that allows banks to recast loans looking into the future potential and cash flow generation capability of the project.

BBB has been formed to recommend persons for CEO and chairman's post at PSBs. Its mandate also covers recommending capital requirements of PSBs and their consolidation.

Viond Rai, former CAG, delivered lecture "Effects of audit - Good Governance or Policy Paralysis.

2. RBI sets up committee to look at household finances in India

The committee will benchmark the current depth of household financial markets in India vis-a-vis those in other major world markets

Anup Roy

The Reserve Bank of India (RBI) on Thursday said it has set up a committee to look at the various facets of household finance in India and to benchmark the country's position vis-à-vis both peer countries and advanced countries.

The committee will benchmark the current depth of household financial markets in India vis-a-vis those in other major world markets and identify areas of priority for growth and change and characterise and evaluate households' demands in financial markets for assets such as pensions as well as liabilities such as home loans over the coming decade.

The panel will consider whether, how, and why the financial allocations of Indian households deviate from desirable financial allocation and behaviour, such as why a large portion of household allocation goes to gold. The committee will evaluate the design of new systems and the redesign of existing systems of

incentives and regulations to encourage and enable better participation by Indian households in formal financial markets.

Besides, it will also assess the role of new financial technologies and products, such as robo-advising, automatically refinancing mortgages.

The need for such a committee was discussed during the meeting of the sub-committee of Financial Stability and Development Council held on April 26.

The committee will be chaired by Tarun Ramadorai, professor of Financial Economics, University of Oxford, and will have representation from all financial sector regulators in India.

3. Government to name MPC nominees soon

It is important that this framework is in place. I'm working very hard to get this in place before I leave, Rajan had said

Arup Roychoudhury

The government is said to be working towards nominating its three members to the Monetary Policy Committee (MPC) as soon as possible, a significant development in light of the Reserve Bank of India Governor Raghuram Rajan's recent comment that he would like MPC to be set up before his tenure ends.

On Monday, Rajan had said at a meeting of central bankers and regulators in Indonesia that he was trying to ensure that the MPC is established before his three-year tenure ends in the first week of September. "It is important that this framework is in place. I'm working very hard to get this in place before I leave," Rajan had said.

4. Centre bows to states, may set GST rate at 20% or more

Might be 20% or more, says will come down in long term

By: FE Bureau

The standard rate for the goods and services tax (GST) might kick in at 20% or higher, the government indicated on Thursday, deferring to the states' sentiments and the need to pare revenue deficits, but added that "in the long term, the rates will come down" as the tax base gets wider. Fresh from his Rajya Sabha success, where the GST Constitutional Bill was passed near-unanimously on Wednesday, finance minister Arun Jaitley has unveiled a road map for the comprehensive destination-based consumption tax, with a "stiff" pan-India roll-out target of April 1, 2017.

Jaitley and chief economic adviser Arvind Subramanian sought to flag concerns over the GST pinching the poor, with the latter pointing out that only less than 15% of the consumer price inflation (CPI) basket will likely attract the standard rate, while 54% will be exempt.

Jaitley slightly altered his earlier stance favouring a low GST rate. He said an "unreasonable" rate cap would increase the revenue deficit and referred to "the present tax incidence of 27-32%".

The Subramanian panel, which recommended a revenue-neutral rate (RNR) of 15-15.5% and standard rate of 18% in a scenario that corresponds closest to the GST base now envisaged, incidentally, had noted that the weighted average statutory rate for goods were 8.45% and 7.5%. respectively. for the Centre and

states in 2013-14. The panel had noted that RNR in the 15-15.5% range with a lower rate of 12% and a standard rate of 18% will have negligible retail inflation impact while a higher RNR (on a lower base) with merit rate of 12% and standard rate of 22% would have a significant 0.3-0.7% impact on inflation.

"For almost 60-70% of commodities, you are paying 27% tax. It will gradually slide down. But even in the first instance (when GST is implemented) it will come down from these levels," Jaitley said. On Wednesday, Jaitley had said in Parliament that 85% of central excise revenue comes from items attracting the median 12.5% rate while 62% of the states' VAT collections are from items under the 14.5% rate.

When asked whether the standard rate proposed by the CEA panel (16.9-18.9%) looked feasible (the Congress had insisted on putting an 18% rate cap in the GST laws during Wednesday's Rajya Sabha debate) at the current juncture, the minister said: "It is the government's responsibility to fund states' losses as well as (find) its own revenue. I think what you need is an optimum rate." He, however, admitted that the tax rate on services can't go up steeply from the current 15%. The GST Council will decide on the rate structure.

While industry pitches for a moderate GST rate (to be applied on roughly the same base with near-equal Central and state components), tax experts aver that a moderate rate and broad tax base are a potent combination that could lead to improvement in compliance and economic acceleration, and hence a dramatic increase in the governments' revenue. "The secret to getting more revenue is indeed not to jack up the tax rate and load the taxes onto a narrow base. The best example to illustrate the point is that of New Zealand, which witnessed a huge 42% jump in tax revenue after the roll-out of GST (over what was projected based on revenue-neutral rate calculation), thanks to a comprehensive base and a moderate rate (10%)," Satya Poddar, tax partner, EY, said.

5. RBI monetary policy: August likely to see no change

While it remains difficult to assess the situation immediately, any chance of further rate easing by the RBI could open up much later in the calendar year though the incremental space of easing would remain extremely restrictive

By: Indranil Pan

There has been a significant downward momentum in the India bond yields of late. This has been primarily driven by lower bond yields globally on expectations that the deflationary pressures unleashed from the Brexit event would lead to major global central banks adding more in the form of monetary easing and hence more liquidity flows for India. The further twists for the market were hopes of announcement of a "market-friendly" monetary policy committee (MPC) and also the new RBI governor.

While the announcement of the new governor and the MPC is awaited, the August monetary policy is still in the hands of Raghuram Rajan under whom the Indian economy has seen the transition to a Consumer Price Index-based rule for monetary policy decision making. Importantly, the targets for inflation that the RBI is likely to receive from the government in the near future are still not clear. For sake of argument in this piece, we would still think that the target for CPI inflation will be at 4+/-2% as has been set by the Urjit Patel committee. The near-term target is for 5% that the RBI would want to achieve by January/March 2017.

The headline CPI inflation numbers in the first quarter of the 2016-17 fiscal are not too comforting. In April-June quarter, FY17 headline CPI inflation averaged at 5.7%. This figure is higher than the RBI's estimates of 5.3% for the quarter and also more than the entire 2015-16 fiscal's average of 4.9%. Core inflation has also proved to be sticky due to supply side concerns and averaged at 4.6% in the first quarter compared to an average of 4.5% during last fiscal. In fact, the RBI governor has, in one of his recent speeches, explained that if inflation level is closer to the threshold, as it is now, it is more likely that inflation will breach the threshold and hamper sustainable growth. Keeping this context in mind, it is therefore hard to believe that there is any chance for the governor to reduce the repo rate immediately. Sorry, there will be no parting gift from the outgoing governor in his final monetary policy.

On the other hand, Dr. Rajan has also categorically pointed out in another instance that the monetary policy is not too tight and the slowdown in the credit growth is not due to the actions of the RBI with respect to interest rates but more to do with the stressed assets in the public sector banks. Thus, contrary to common arguments in the market, it would be erroneous to believe that just a cut in the policy rates will be able to kick-start the credit revival cycle and also overall growth momentum. Instead, he has pointed out that the clean-up of balance sheets of the public sector banks is much needed, a path that the RBI has already started to walk on and hopefully will take it to its logical conclusion. This clean-up cannot be achieved instantaneously and the economy will have to wait patiently for the desired results.

Meanwhile, the overall macroeconomic backdrop for India appears stable with limited risks seen from either the fiscal or the current account balances. Inflation has slid to more stable levels while there are some early signs of growth. The Constitutional Amendment Bill related to implementation of GST has been passed and it is expected that the remaining procedure will be a relatively smooth sailing. There are also expectations that headline inflation will decline with vegetable and pulses prices recently witnessing some dips. Good monsoons till now are likely to have a salutary effect on food prices. Furthermore, inflation upticks from consumption push out of the Seventh Pay Commission arrears could be limited as large areas of the economy are operating at sub-optimal capacity.

IDFC Bank's projections indicate that Headline CPI inflation will decline from the current relatively elevated levels, and could find a floor at 5.1% by October/November 2016. This implies that the confidence with which RBI attained its first target of 6% by January 2016 could be missing so far as attaining the target of 5% by January 2017 is concerned unless prices of oil and other commodities were to fall further. In this scenario, RBI would most willingly be waiting out for some time for incremental data flows before taking any further action on rates. However, the overall tone of the August monetary policy is likely to remain "accommodative" and as supportive, RBI is likely to highlight its continued support to infuse "primary liquidity" via OMO when needed. While it remains difficult to assess the situation immediately, any chance of further rate easing by the RBI could open up much later in the calendar year though the incremental space of easing would remain extremely restrictive.

6. Need to tackle illegal deposit raising while the act is live: Raghuram Rajan

Reserve Bank Governor Raghuram Rajan today said it is important to tackle illegal raising of deposits while the crime is in progress given the nimbleness of such "fly-by-night" operators.

By: PTI

Reserve Bank Governor Raghuram Rajan today said it is important to tackle illegal raising of deposits while the crime is in progress given the nimbleness of such "fly-by-night" operators.

"We have to do this (tackle it) before the fly-by-night operator runs away with the money. We have to stop the crime in progress," he said at an event here. Underlining the challenges in fighting the menace, the outgoing Governor said some operators do not fall under the ambit of any regulator, are very small or operate from far-flung areas, making punitive action difficult.

When the regulator does manage to move-in, they "morph" into such an entity, which is outside the purview of any regulator, he said, underscoring the need for coordination between financial regulators and law enforcement agencies.

Rajan said there have been favourable changes in laws like the Protection of Interest of Depositors Act, and there are forums like State Level Coordination Committee (SLCC), which help in fight against unauthorised deposit raising.

These give the authorities the power to intervene before the money has actually been taken away and misused, he said, making a strong appeal to public not to fall prey to such tactics.

With phishing mail menace continuing, Rajan said RBI does not send any such emails promising money to people.

"I suggest all of us should ask, if they have got Rs 50 lakh to give me, why do they need me to send Rs 25,000 in the first place? Why can't they just deduct the Rs 25,000 and send me the remainder?" That question should be asked by anybody who gets such a solicitation," Rajan said at the launch of a website to tackle illegal deposit collection.

The portal — sachet.rbi.org.in — will facilitate filing and tracking of complaints, besides providing information about whether any particular entity is registered with any regulator or is permitted to accept deposits.

Deputy RBI Governor S S Mundra said even literate people fall prey to such tactics, despite awareness campaigns.

"We see that public regularly falls prey to these kinds of activities. It is not restricted to so-called section which is not aware or educated, but we have seen in number of instances where highly educated people fall prey to such schemes and elude by very high unrealistic return which are promised," he said.

Sebi's whole time member S Raman said the markets regulator has passed over 325 orders against such unscrupulous activities since 2012, when it was empowered with the changes in the legal framework.

7. RBI eases norms in cheque dishonour cases of Rs 1 crore and above

By PTI

Relaxing chequebook norms, the Reserve Bank today left it to the lender's discretion on whether to issue fresh cheque books or not in cases of dishonour of Rs 1 crore and above.

As per the existing directive, banks are not allowed to issue fresh chequebooks in the event of cheque dishonour valuing Rs 1 crore and above on four occasions during a financial year for want of sufficient funds.

Also, in such cases the bank may consider closing the current account at its discretion.

RBI said it has reviewed these instructions and it will be now up to the discretion of banks how to respond in such cases.

"Banks should put in place an appropriate policy approved by the board or its committee taking into consideration the need to prevent misuse of cheque drawing facility and avoid penalising customers for unintended dishonour of cheques," RBI said in a notification.

The bank regulator also asked the banks to make this policy transparent and bring it to the knowledge of the customers.

8. GST impact across sectors: Take a look at the winners and losers

By ET Bureau

GST will turn India into one common market, leading to greater ease of doing business and big savings in logistics costs from companies across all sectors. Some companies will gain more as the GST rate will be lower than the current tax rates they pay, others will lose as the rate will be higher than the present effective rate. While the rate of GST is yet to be decided, industry observers have assumed an 18% rate recommended by a government panel in making their impact calculations. ET looks at the likely impact across sectors.

TECH Positive

GST will eliminate multiple levies. It will also allow deeper penetration of digital services.

Negative

IT companies can have several delivery centres and offices working together to service a single contract. With GST, companies might require each centre to generate a separate invoice to every contracting party. Duty on manufactured goods is going to go up from existing 14-15% to 18%, which means the cost of electronics from mobile phones to laptops- will rise.

Positive

Companies could generate substantial savings in logistics and distribution costs as the need for multiple sales depots will be eliminated. FMCG companies pay nearly 24-25% including excise duty, VAT and entry tax. GST at 17-19% could yield significant reduction in taxes. Warehouse rationalisation and reduction of overall tax rates, is expected to generate saving which could cumulatively range between 200-300bps.

Key beneficiaries : Hindustan Unilever, Colgate, GSK, Asian Paints

Negative

If the recommended 40% "sin/demerit" GST for aerated beverages and tobacco products is levied, then prices may increase by over 20%. Food companies: many see increase in effective tax as many companies enjoy concessional rate of excise.

ECOMMERCE

Positive

GST will help create a single unified market across India and allow free movement and supply of goods in every part of the country. It will also eliminate the cascading effect of taxes on customers which will bring efficiency in product costs.

Negative

The tax collection at source (TCS) guidelines in the GST regime will increase administration, documentation workload for ecommerce firms and push up costs.

TELECOM

Positive

Handset prices likely to come down/even out across states. Manufacturers are also likely to pass on to consumers cost benefits they will get from consolidating their warehouses and efficiently managing inventory. For handset makers, GST will bring in ease of doing business as they may no longer need to set up state specific entities and transfer stocks to them and invest heavily into logistics of creating warehouses in each state across the country.

Negative

Call charges, data rates will go up if tax rate in the GST regime exceeds 15%. Tower firms won't be able to set off their input duty liabilities if petro-products continue to stay outside GST framework. Negative for Bharti Airtel, Idea and Reliance Comm.

AUTOMOBILES

Positive

On-road price of vehicles could drop by 8%, as per a report by Motilal Oswal Securities. Lower prices can be construed as indirect stimulus to boost volumes.
Key b ..

Key beneficiaries: Maruti Suzuki, M&M; Eicher Motors' margins may expand.

Negative

Demand for commercial vehicles may be hit in the medium term. GST will subsume local taxes, reduce time at check-posts, ease logistics hurdles. With fleet productivity increasing, operators may not feel the need to expand mid-term.

MEDIA

Positive

DTH, film producers and multiplex players are levied service tax as well as entertainment tax, GST will bring major change and uniformity in businesses. Taxes could go down by 2-4%. Multiplex chains will save on revenues as there will be a more uniform tax, unlike current high rate of entertainment tax levied by different states. It may lower the average ticket price, and increase the footfalls in multiplexes. GST will be a big boon to film producers and studios that currently pay service tax on most of their cost, but cannot charge input credit on creative services (payments to artists etc) as they fall under the negative list. Under GST, they will be able to claim credit of these services also, which will help in lowering the overall cost.

Key beneficiaries: Dish TV, PVR.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY