



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,

22nd November , 2016

News of Interest 22nd Nov

QUOTE OF THE DAY

“PURSUE ONE GREAT DECISIVE AIM WITH FORCE AND DETERMINATION. “

CARL VON CLAUSEWITZ

- 1. EXPECT YOUR HOUSEHOLD BUDGET TO SHOOT UP: GOING CASHLESS COMES AT A COST**
- 2. DEPOSITS ABOVE RS 2.5 LAKH: DON'T PANIC IF YOU RECEIVE THE I-T NOTICE**
- 3. BANKS GET RS 5.4 LAKH CR OF SCRAPPED NOTES, PEOPLE WITHDRAW OVER RS 1 LAKH CR**
- 4. DEMONETISATION: RBI GIVES SMALL BORROWERS 60 EXTRA DAYS TO REPAY CREDIT**
- 5. TRADE UNIONS CALL FOR STRIKE AT TIRUPUR OVER DEMONETISATION OF RS 500, RS 1000 NOTES**
- 6. RBI ALLOWS RS 50,000/WEEK WITHDRAWAL FROM OVERDRAFT, CASH CREDIT ACCOUNTS**
- 7. CHAIWALAS, VEGETABLE VENDORS DISCOVER THE 'CHANGE' OF THE DIGITAL WAY**
- 8. CASH WITHDRAWALS: WILL POS TERMINALS COME TO THE RESCUE?**

Business Standard

1. Expect your household budget to shoot up: Going cashless comes at a cost

When you start using digital payment options, your household budget is likely to shoot up

Tinesh Bhasin

The government's demonetisation drive has caused a cash crunch, forcing people to look at plastic money and other forms of digital payments. But, for a society accustomed to physical notes, the transition to cashless comes at a cost. Many households are likely to see their budgets shoot up as they pay more at merchant establishments that accept digital payments.

Around 95 per cent of consumer transactions by volume and 65 per cent by value are carried out in cash in India, according to a JM Financial report. "India is still a cash-intensive economy with a cash-to-GDP ratio of over 12 per cent," the report states. Life has become difficult as the higher-denomination notes of Rs 500 and Rs 1,000 accounted for 86.4 per cent of the total currency in circulation by value as on March 31, 2016, according to the Reserve Bank of India's data.

"Consumers have no option but to opt for digital transactions after the demonetisation, and for this they will need to bear additional costs," says Madan Sabnavis, chief economist, CARE Ratings. He points out that though ATM transaction charges have been waived, other charges remain. Some of these are service charge for booking tickets online (Rs 20-40 plus tax) and a surcharge on using cards at petrol pumps (except on cards that specifically waive the surcharge). This is 0.75-1 per cent on debit cards and around 2.5 per cent on credit cards. "While it has been recommended that these additional charges be done away with, this has not been implemented yet. Today, when a financial transaction is done using a debit or credit card, the merchant incurs an additional cost, which in many cases he passes on to the customer," says Sabnavis.

Impact on your budget

Besides transaction fees, an individual also needs to shell out more when he moves away from mom-and-pop goods and service providers to those establishments that accept digital payments. We looked at the additional costs an individual needs to bear when he goes cashless in his day-to-day life in three product categories in Delhi and Mumbai, and the impact this will have on his household budget.

Household essentials: For buying vegetables and fruits at a supermarket, be ready to shell between 5-30 per cent more. Add to this the cost of driving to the mall or supermarket and paying parking charges. If the supermarket only sells Tetra Pak cartons instead of packet milk, you could end up paying 50 per cent more. From Rs 1,200 a month for one litre of milk a day, your monthly cost will shoot up to Rs 1,800. There are offers at supermarkets wherein a shopper gets free sugar or a discount on using cards, but going to a local vendor is likely to be cheaper in the majority of cases.

Purchasing household essentials online is another option since these vendors accept digital payments. This also helps to cut down on travel time and fuel costs. However, in some cases a minimum order may be required for free delivery, says Rs 1,000. If the bill is lower, there could be a delivery charge of Rs 25-30, which varies depending on the category of goods chosen.

Travelling: While many people commute to work using local trains, buses and the metro, some rely on auto rickshaws or taxis to reach the station or bus stop, or to reach office from there. A four-km auto rickshaw and taxi ride costs Rs 49 and Rs 59 respectively in Mumbai. If you hire an app-based taxi, it will cost you around Rs 100, thereby doubling your cost. However, if the distance is more than 10 km, app-based taxis may cost you about the same or may even be cheaper than an auto rickshaw or taxi.

Eating out: Lunch at a small restaurant or roadside stall may cost around Rs 70-80. But if you go to a small eatery that accepts cards, the cost is likely to rise by at least 60 per cent. Many restaurants don't accept cards if the order is below Rs 100. The cost of a cup of tea or coffee with snacks can shoot up from Rs 30-40 at a roadside stall to Rs 100 at a restaurant that accepts digital payment. Food ordering apps are becoming popular, but they require a minimum order of Rs 150-200 for free delivery.

Like many others, Anita Verma has been buying household essentials on credit and is paying the vendor by cheque currently. She even plans to pay her maid, newspaper person, dhobi and driver by cheque next month. "But, this arrangement is

temporary. Most of them won't continue to accept this mode of payment, as they require immediate cash for their expenses," she says. For her, the pain point is a visit to the doctor, where she doesn't have the option to pay by card and many are not accepting old currency notes.

Besides the costs in purely monetary terms, there are practical difficulties one faces in going cashless. In metros, it is still easier to opt for digital transactions, since the level of acceptance is higher. In fact, many roadside fruit and vegetable vendors have now begun to accept payments through mobile wallets like Paytm. But in smaller towns, cashless transactions can be challenging. India has one of the lowest numbers of card swiping machines or point-of-sale (PoS) terminals per capita in the world, according to research by EY. About 70 per cent of these are in the top 15 cities and they contribute over 75 per cent of total volumes.

Moreover, the banking infrastructure is ill-equipped to handle large volumes of card transactions. Four days after demonetisation was announced, Mumbai-based Sushma Bhosale went grocery shopping in a supermarket. But the PoS terminal wouldn't accept her card despite repeated attempts. Finally, her brother came with cash and paid the bill. If you are in an area with poor internet connectivity, you will not be able to transact using your mobile wallet.

Cashless future: Not so near

Digital payment is on the rise in the country. The number of debit cards more than doubled between 2012 and 2016, and so have the card swiping or point-of-sales machines. Online transactions through National Electronic Fund Transfer (NEFT) went up from Rs 4 lakh crore in 2009-10 to Rs 83 lakh crore in 2015-16, a 2,000 per cent rise. Recently, we have seen new payment mechanisms such as wallets and unified payment gateway. But going completely cashless may not be feasible in India, since cash is required for small ticket payments, says Abheek Barua, chief economist, HDFC Bank. For instance, for payments to the plumber, electrician or tailor, one would still need cash. If you use NEFT or cheque, your cost of transaction will go up. "Data show that over the years the volume of cash transactions has gone up, but value has come down. This indicates that large ticket payments have moved to non-cash, but for small ticket payments cash is still the preferred mode of payment," he says.

2. Deposits above Rs 2.5 lakh: Don't panic if you receive the I-T notice

If you are unable to give a satisfactory explanation about source of income, proceedings and penalties can follow

Tinesh Bhasin

The recent notification of the Central Board of Direct Taxes (CBDT) asking banks to furnish details of cash deposits above a certain amount has got many worried about receiving notice from the income-tax department. But, if a person has been a diligent taxpayer and can account for his deposits, he doesn't need to worry.

The government has told banks to provide details of individuals who deposit Rs 2.5 lakh or more in savings accounts or fixed deposits between November 9 and December 30. Also, deposits of Rs 12.5 lakh or more in a current account need to be reported to the authorities. The notification also said that the permanent account number (PAN) needs to be compulsorily quoted in case of cash deposits exceeding Rs 50,000 on a single day, or over Rs 2.5 lakh between November 9 and December 30.

When you receive a notice, don't panic. "Even if a notice is issued, it will ask the person to explain the source of income. The assessee will need to provide documents supporting his claim regarding the source of money," says Amit Maheshwari, partner, Ashok Maheshwari & Associates. He adds that if sufficient explanation is not provided, proceedings and penalties could follow. "Notices under different sections

are just the starting point. The penalties, interest, etc. vary depending on the outcome of the proceedings,” says Divya Baweja, partner, Deloitte Haskins & Sells.

Never filed returns: Such individuals can receive a notice under Section 142(1). The person is required to file the returns or produce relevant information and records as demanded by the assessing officer. If this is accompanied by a notice under Section 143(2), the person is required to attend the proceedings or send his accountant or lawyer for it.

After scrutiny, if the officer is satisfied with the explanations, he will issue a clean chit, otherwise he will state the discrepancy between the reported income and actual income and calculate the tax demand. This order will be supported by a notice of demand under Section 156.

“If the person doesn’t comply with the notice, the officer will calculate the tax liability based on his own assessment. If an assessee has been called upon to produce books of accounts under Section 142(1) and fails to do so, the tax authorities have reason to believe that such an assessee has in his possession money, bullion, jewellery or other valuable articles representing income that has not been disclosed. The department may then exercise its power of search and seizure,” says Nishit Dhruva, managing partner, MDP & Partners.

Deposits don't match returns: This leads to a notice under Section 143(2). It implies that your I-T return has been selected for detailed scrutiny. The assessing officer may ask for books of accounts and bank account details. The next step for the taxpayer is to get in touch with the assessing officer and submit the evidence sought.

If your assessment is done, you may receive a notice under Section 148. This is sent in cases where an officer has certain evidence (disproportionate bank deposits, for example) to infer that the person has not disclosed certain income in his return. Not complying with this can also result in search and seizure. “Notice under Section 148 can be issued within four years from the end of the relevant assessment year if the income that escaped assessment does not exceed Rs 1 lakh, and within six years from the end of the relevant assessment year if the income that escaped assessment is more than Rs 1 lakh,” says Dhruva. However, if the evaded income pertains to an asset located outside India, such a notice can be issued within 16 years from the end of the relevant assessment year.

Immunity from penalty: Since the demonetisation drive started, some tax experts have suggested that the tax laws offer immunity from penalty if a person discloses his unaccounted income voluntarily and pays tax on it. This view holds that a person should declare income under Sections 69(A), 69(B) and 69(C) that deal with certain unexplained cash credits, investment, expenditure, etc., in the current financial year. Pay tax on it and become compliant. The assessee can then include this when filing tax for the current financial year.

Not all tax experts agree. “Disproportionate deposits cannot be passed off as income in the current financial year. The assessing officer can take the view that the disproportionate income belongs to previous financial years and proceed accordingly,” says Suresh Surana, founder, RSM Astute Consulting Group. He adds that such declaration will also lead to the assessing officer demanding details of tax deduction at source, service tax, value-added tax, and so on. “The government has made clear its intention to penalise black money earners and may amend sections that give immunity to tax evaders. In some cases, penalties and prosecutions under other Acts like the Prevention of Money Laundering Act, 2002, can also be invoked,” says Maheshwari. But some experts argue one can get immunity from penalty if the assessing officer finds no evidence of concealment in previous years, and individuals have more leeway in this than business owners.

3. Banks get Rs 5.4 lakh cr of scrapped notes, people withdraw over Rs 1 lakh cr

On November 8, 2016 the government had withdrawn legal tender status for old 500, and Rs 1,000 currency notes

Abhijit Lele

Reserve Bank of India today said that banks have disbursed Rs 1,03,316 crore to customers through branches and ATMs since November 10 till November 18, 2016.

Banks have garnered Rs 5,44,571 crore (exchange amounted to Rs 33,006 crore and deposits amounted to Rs. 5,11,565 crore), RBI said in statement.

Banks had resumed operations on November 10, 2016 after they kept branches closed from public interface on November 09 to prepare for receiving old notes for which legal tender status was withdrawn.

On November 8, 2016 the government had withdrawn legal tender status for old 500, and Rs 1,000 currency notes.

RBI made arrangements for exchange and /or deposit of such notes at the counters of the Reserve Bank and commercial banks, Regional Rural banks and Urban Cooperative Banks.

4. Demonetisation: RBI gives small borrowers 60 extra days to repay credit

This relief applies to dues payable between November 1, 2016, and December 31, 2016

Abhijit Lele

The Reserve Bank of India (RBI) on Monday said small borrowers, who have been facing the brunt of demonetisation, would get an additional 60 days to repay their credit, including agriculture and housing loans.

Borrowers with loans up to Rs 1 crore from banks and finance companies would be eligible for this relaxation, RBI said.

The central bank has granted similar relaxation for bank loans to non-banking financial companies (NBFCs) and housing finance companies (HFCs), as well as primary agriculture cooperatives. The loans by state co-operative banks to district central cooperative banks would also enjoy same relaxation.

Under normal circumstances, loans which remain unpaid for 90 days are treated as non-performing assets (NPAs). The first category in NPA is dubbed as sub-standard asset.

This relief applies to dues payable between November 1 and December 31.

RBI said it had received pleas saying borrowers may need more time to repay loan dues consequent to withdrawal of Rs 500 and Rs 1,000 notes.

Dues payable before November 1 and after December 31 would be covered under existing rules for recognition of a loan as a non-performing asset.

Rating agency CRISIL said this relief would provide some respite to the non-banks in managing asset quality in the interim period. However, if the disruption prolongs beyond two months, asset quality pressures could manifest.

Seconding CRISIL assessment, Parag Jariwala, VP, institutional research, banking and financial services, Religare Capital Markets, said the move is positive for non-

banking finance companies (NBFCs). However, stakeholders were expecting slightly higher relaxation.

The relaxation of more than 90 days instead of 60 days as many industries will take time to get out of the mess. The relaxation could have been bit longer like for six to 12 months instead the RBI has given only one-time relaxation, he said.

Running working capital accounts (over draft and cash credit) and crop loans, with a sanctioned limit of up to Rs 1 crore or less, would also be eligible for this relaxation.

Further, term loans, whether business or personal and whether they are secured or otherwise, where the original sanctioned amount is up to Rs 1 crore on the books of the concerned bank, including district cooperative banks, finance companies and micro finance institutions, would also be covered under the deferment.

Harshil Mehta, CEO, DHFL said the relaxation in norms will give much needed comfort to low and middle income segment from tier-II and -III towns by allowing them additional 60 days to pay their loan dues.

National Housing Bank should also provide similar policy guidelines for housing finance companies which have been serving Low and Middle Income segment to enable them access to home ownership, Mehta added.

Financial Express

5. Trade unions call for strike at Tirupur over demonetisation of Rs 500, Rs 1000 notes

Trade unions affiliated to parties such as the CPI, CPI(M), Congress and the DMK have called for a day-long strike on November 23 to protest against the Centre's demonetisation scheme in and around Tirupur — the knitwear capital of India.

By: R Ravichandran

Trade unions affiliated to parties such as the CPI, CPI(M), Congress and the DMK have called for a day-long strike on November 23 to protest against the Centre's demonetisation scheme in and around Tirupur — the knitwear capital of India. The proposed strike is expected to make an impact on the readymade garment exporters.

Sources told FE that a majority of the exporting units under the Tirupur Exporters' Association (TEA) are not expected to take part in the strike. However, being a labour-intensive sector, some units are expected to shut their shops to stay clear of any untoward incident, they added.

When contacted, TEA president Raja D Shanmugam accepted that the trade unions affiliated to some known parties have called for a strike, but said it won't bring any solution to the current imbroglio. "Rather it will hurt those workers who take part in the strike," he said.

Business Line

6. RBI allows Rs 50,000/week withdrawal from overdraft, cash credit accounts

PTI

Further relaxing cash withdrawal norms, the Reserve Bank today said overdraft and cash credit account holders can now withdraw up to Rs 50,000 in a week.

Earlier, current account holders were allowed to withdraw up to Rs 50,000 in cash, in a week.

"On a review, it has been decided to extend this facility to Overdraft and Cash Credit accounts also," the central bank said.

Accordingly, holders of current/overdraft/cash credit accounts, which are operational for the last three months or more, may now withdraw up to Rs 50,000 in cash, in a week.

However, this enhanced limit for weekly withdrawal is not applicable for personal overdraft accounts.

The Reserve Bank further said the Rs 50,000 withdrawals may be disbursed predominantly in Rs 2,000 denomination bank notes.

The Government has taken several decisions to ease withdrawal restrictions for farmers, small traders, Group 'C' employees of Central Government including equivalent levels in the defence and para military forces, railways and CPSEs in the aftermath of the cancellation of the old Rs 500 and Rs 1,000 notes as legal tender.

The Government has taken several decisions to ease withdrawal restrictions for farmers, small traders, Group 'C' employees of Central Government including equivalent levels in the defence and para military forces, railways and CPSEs in the aftermath of the cancellation of the old Rs. 500 and Rs. 1,000 notes as legal tender.

7. Chaiwalas, vegetable vendors discover the 'change' of the digital way

G NAGA SRIDHAR/R BALAJI

"No cash? No problem. Please transfer ₹6 to my mobile." This is what Maheshwari, a tea-vendor has been telling his customers for the last couple of days.

For this 45-year-old, who runs a tea-shop at Ashoknagar, Hyderabad, currency paucity has become a challenge, thanks to demonetisation. But now, he is happy after he started using Paytm, a digital payment mode.

"Cash/change is a problem not only for customers but also for me which made me start accepting mobile payments. There has been good response from customers," he told *BusinessLine*.

He is not alone. R Ramanamma, who sells vegetables in Rythu Bazar, Mehdipatnam, has a similar tale to tell. "It's not just me. Some wholesale-sellers and contractors from whom we buy our goods have started using it as all of us have mobiles," she said.

Even though many banks claim that ATMs are "100 per cent" operational, the ground reality is different as most of the ATMs are either shut or display "no cash" boards. Hence, the search for an alternative channels.

Kanadasan makes a living selling fruits from a push cart in Chennai. "We are getting by and adjusting somehow," he says. Wholesalers accept ₹500 and ₹1,000 notes "as long as I buy for the whole amount and do not expect any change. I, too, do not mind accepting a ₹500 note occasionally," he says.

At a neighbourhood department store, the owner sits at the cash counter with a notice saying "₹500/1,000 not accepted". Business is slow, he shrugs, with just ₹2,000 denomination notes floating around. "Where is the cash in smaller denominations for change?" he asks.

He now uses digital payment. "It is quite easy. You just download the app, register and tap out my phone number and the money is transferred instantly. I never thought of such things till a week ago," he says.

According to agency reports, digital payments company Paytm has been witnessing over seven million transactions worth ₹120 crore a day and it crossed \$5 billion gross merchandise value (GMV), which indicates total worth of goods sold through a digital platform.

All this shows that people are managing by different means. While digital payments are a possibility, there are also many who are not savvy enough yet. Large denomination notes continue to circulate in many places as banks disburse mostly ₹2,000 notes but smaller denomination currency is scarce.

8. Cash withdrawals: will PoS terminals come to the rescue?

RADHIKA MERWIN

Most of us queuing up outside bank ATMs are unaware of another option to draw cash — through point-of-sale (PoS) terminals at merchant establishments. Not only can you swipe your debit card for making purchases but you can also use the same PoS to withdraw cash. With a view to ease congestion at bank ATMs, the RBI recently increased cash withdrawal limit at PoS terminals at merchant establishments to ₹2,000 a day across all centres.

So far, one could make cash withdrawals up to ₹1,000 at PoS terminals in Tier- I and -II cities and up to ₹2,000 in Tier-III to -VI cities/towns. Charges on such withdrawals were up to 1 per cent of the transaction amount.

After waving ATM charges for customers, the RBI has also decided to waive charges on withdrawal of cash at PoS terminals. Hence, it may pay to find out about the facility at your nearest merchant establishment.

No cash to dispense

But does this bring a huge relief to you? Sadly no, as currency and software bottlenecks can pose challenges, according to market players.

Lack of availability of currency — aside from the need to recalibrate over two lakh ATMs across the country — remains a key issue. The RBI may have increased the withdrawal limit at PoS terminals, but merchants themselves may not have cash to dispense. With the Centre allowing petrol pumps to dispense cash, currency will most likely be supplied to them on priority.

Even if one assumed that currency is made available, a large number of PoS terminals need to be upgraded to support a withdrawal facility. Banks are now scrambling to upgrade their PoS or swipe machines, particularly at petrol pumps.

In the past, people did not consider opting for such a facility as it was easy to withdraw from an ATM, free of cost (upto five transactions a month in own bank ATM). Cash at PoS would entail cost — ₹10 for a ₹1,000 cash withdrawal.

Since merchant terminals were hardly used for withdrawal, most of the swipe machines have not been upgraded to dispense cash.

"When you go and swipe your card the merchant has to pay some fees (called Merchant Discount Rate) to the bank. In the cash at PoS option, the merchant does

not pay anything, but the customer has to pay a charge of ₹10 per transaction. The software at the swipe machine has to recognise this and is configured separately called Cash-at-PoS transaction,” says Sunil Kulkarni, Deputy Managing Director, Oxigen Services, a payments solutions provider.

Of the 13-odd lakh PoS, only maybe two lakh GPRS-enabled new terminals may be configured to carry out a cash withdrawal transaction, he added.

Going cashless

To help tide over some of these issues, Oxigen is upgrading its PoS devices into micro-ATMs. Micro-ATM is a PoS device, which is a full-featured banking access and payments transaction device. It has an attached biometric scanner and thermal printer and is Aadhaar-enabled. So, anyone can deposit cash into a bank account.

“We continue to be the only wallet that provides loading through cash at our two lakh odd retail points, apart from banking channel. We are now leveraging this to set up micro-ATMs,” says Kulkarni.

“Any individual can offload his old notes which are then deposited into his Aadhaar-linked bank account through the micro-ATMs. Maximum amount that can be deposited is ₹10,000 per customer as set for Micro-ATM,” explains Kulkarni.

Once the money is deposited in the account, Oxigen enables a customer to load ₹2,500 into its wallet from this bank account which can then be used to make purchases at merchant outlets, thereby addressing the issue of small change at shops. The focus is on unbanked customers or people who are not comfortable with technology to load wallets using mobile banking/ internet banking/ UPI from their bank accounts.

However, acceptance of these wallets at various merchants will be critical if it has to make a meaningful impact.

“We are signing up physical merchants to enable acceptance of Oxigen wallet for transactions. Currently, we have deployed close to 600 micro-ATMs mostly in Delhi/NCR region and Bihar. More regions are being added,” says Kulkarni.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**