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**Dear Comrades,**

**30th January , 2017**

**News of Interest 30th Jan**

**MOTIVATIONAL QUOTES**

**"ONE WAY TO KEEP MOMENTUM GOING IS TO HAVE CONSTANTLY GREATER GOALS."**

**MICHAEL KORDA**

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- 3. BUDGET 2017: DESPITE 7TH PAY COMMISSION, MONSOON BOOSTER, ECONOMY IN SLOW LANE, AWAITS ARUN JAITLEY REFORMS DRIVE**
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**Business Standard**

**1. Janalakshmi Fin's equity infusion pegged at Rs 4,400 cr in 5 yrs**

Bengaluru-based JFSL has a strong capital base, after an equity infusion of Rs 1,000 crore in 2016

[Abhijit Lele](#)

Janalakshmi Financial Services Ltd (JFSL), a large micro-finance institution (MFI) which is becoming one of the new small finance bank (SFB), will need an estimated of Rs 4,400-5,300 crore over five years to grow assets annually by at least 40 per cent, rating agency ICRA has said.

Its assets under management were just over Rs 13,300 crore at end of September 2016. This equity infusion requirement is based on the expectation

of Janalakshmi maintaining a leverage of seven times. Leverage refers to the amount of debt an institution can hold on the base of capital.

Janalakshmi has seen sharp rise in annual disbursements in loans in past five years. Its disbursements which were at Rs 422 crore in 2011-12, which grew to Rs 2,383 crore in 2013-14 and further to Rs 11,516 crore in 2015-16, according to its annual report for 2015-16.

Bengaluru-based JFSL has a strong capital base, after an equity infusion of Rs 1,000 crore in April 2016. This helped the institution to improve its net worth to Rs 2,421 crore (as on September 30). It has received fresh equity annually for the past four years.

JFSL is a non-banking finance company, catering to the urban poor women. It has a network across 197 cities in 18 states. The share of the top 3 states of Karnataka, Tamil Nadu and Maharashtra being about 46.8 per cent, at end of September.

Beside capital injection, the institution will also have to make large scale recruitment and engage in training of employees for ensuring healthy business growth, ICRA said.

Reserve Bank of India rules, those who got in-principle approval to start a SFB have 18-month time to comply with the guidelines.

Given the high growth target of the company, it is important for JFSL to ensure overleveraging is kept under check, as the penetration levels increase in the urban areas.

## **2. Mobile wallets may soon have to insure customers' cash**

Govt decided cyber labs be notified soon to help make IT-based evidence admissible in courts

Karan Choudhury

To make a rapid move towards using digital cash, the government is planning to bring in changes in the way money is handled on mobile wallets.

The government is mulling over bringing insurance in the segment, on the lines of debit and credit cards. It has already held three meetings with mobile wallet and insurance companies and hopes to bring in the new regulations to make it mandatory for mobile wallets to insure money.

"The discussions have been quite fruitful. We would be able to bring in the new rules soon. It is extremely important that users know and understand that their money is safe and even if there are technical glitches, they get their money back," said an information technology (IT) ministry official.

The Ministry of Electronics Information Technology will soon come out with the rules.

The government in an effort to make cyber laws tougher and more effective has also decided that cyber labs, which examine evidence, be notified soon.

This would help make IT-based evidence admissible in courts.

"We are in the process of giving it final touches. It is necessary as cyber crimes are increasing and laws need to be stronger to deal with them," said another IT ministry official.

Sources said the government plans to notify at least two to three cyber forensic labs in each district.

Financial Express

### **3. Budget 2017: Despite 7th Pay Commission, monsoon booster, economy in slow lane, awaits Arun Jaitley reforms drive**

Given the economy is growing way below potential despite a much-expected boost to consumption from the jump in salaries of government employees and from higher farm incomes following a good monsoon, the budget allocations for capital expenditure need to be increased substantially.

By: The Financial Express

Given the economy is growing way below potential despite a much-expected boost to consumption from the jump in salaries of government employees and from higher farm incomes following a good monsoon, the budget allocations for capital expenditure need to be increased substantially. In the budget for FY17, the allocation was higher by a meagre 4%. While the state governments need to do their bit, especially since they are now eligible for a bigger share of the tax collections—between April and October, these were up 9% year-on-year—their finances are not in great shape. States have tended to be more profligate in the last five years; while the central government has reduced the fiscal deficit by 2.4% of GDP, during this time states have grown theirs by 1.6% of GDP. More importantly, the quality of this deficit may not be quite what it seems given how the accounting for the UDAY bonds may not have been kosher—ideally, states should have accounted for this as a grant under revenue expenditure rather than a combination of a loan, equity or a grant which is what some have done. If their finances are not to deteriorate further, they have little choice but to rein in capex spends.

While that requires the Centre to take up the slack, given that FY18 will be a different and difficult year with GST being rolled out from July, it is not clear exactly how buoyant tax collections will be; a one-time loss from the switch-over to the new regime also needs to be pencilled in. Also, unlike in the last couple of years when it has reaped a bounty from excise duties on petroleum products, the Centre's ability to raise these will be limited given the nine hikes over a period of 15 months between November, 2014 and January 2016. As such, while direct tax collections could surprise on the upside with demonetisation bringing more companies and individuals into the tax net, the outlook on indirect taxes is somewhat hazy. Even in terms of non-tax revenues, the government will need to pencil in a smaller amount by way of revenues from telecom companies—possibly R20,000-25,000 crore—compared to FY17 since their finances preclude a fresh auction in FY18. It is possible that disinvestments and strategic sales will bring in much more than they have in past years—just R30,000 crore of FY17's target of R56,500 crore has been achieved so far—though this cannot take care of shortfalls in other areas.

There is always the option of stretching the deficit to beyond 3% of GDP. However, this could have a deleterious effect on the country's overall debt position, which is already high, apart from exacerbating the demand-supply mismatch in the bond markets. In which case, the government must look for more off-balance-sheet funding as it did in the current year for both Railways and highways; given their experience, though, special effort will have to be made to ensure the money is spent and projects are better executed. With no serious pump-priming expected, the finance minister will have to unleash a series of reforms, such as on taxation, in order to give the economy a fillip.

### **4. Banks eyeing big-ticket reforms in Budget: Survey**

By PTI

Banks expect Finance Minister Arun Jaitley to announce a slew of measures for the sector in Budget 2017-18, including a hike in FDI limit for public sector lenders to 49 per cent and additional capital infusion to boost credit growth, according to a report.

The Ficci-IBA Survey of Bankers, which included responses from 17 public, private as well as foreign banks representing 52 per cent of the total banking industry by asset size, said that lenders witnessed a slowdown in credit demand owing to the cash crunch post demonetisation which led to lower consumption.

However, many respondents expect credit demand to improve after 3-6 months as economic activities are expected to pick up by that time.

On the other hand, flush with liquidity, a majority of banks (82 per cent of those polled) reported a rise in their low cost CASA deposits during the period July-December 2016.

On the other hand, flush with liquidity, a majority of banks (82 per cent of those polled) reported a rise in their low cost CASA deposits during the period July-December 2016.

In fact, 53 per cent of the respondent banks reported a substantial increase in CASA deposits and attributed the same to demonetisation, besides their own efforts to mobilise opening of savings account.

Notably, in the previous survey round, only 25 per cent of respondents had reported a reported a substantial increase, while 50 per cent had reported a moderate increase in such deposits. Lenders believe a hike in foreign direct investment (FDI) limit for state-owned banks (from 20 per cent to 49 per cent) will help in raising further capital and thereby meeting capital requirements under Basel-III norms.

In the Budget, banks also expect the government to boost consumption demand and investment through reduction in corporate as well as personal income tax, and by providing additional deductions under section 80C and interest on home loans.

With a thrust on less-cash economy, banks are also eyeing additional incentives for digital transactions, including tax benefits for customers as well as merchants.

They have also urged for enhancing capital expenditure, especially for infrastructure. Other key suggestions include measures to fast track NPA resolution, creation of a Central Corporate Repository and interest payment on CRR balance.

Banks also felt interest subvention for farm loans should be parked with them in advance, as it takes 7-8 months for settlement of claims, leading to interest loss.

They also want the government to announce additional tax incentives for customers on term deposits, such as reduction in lock-in period for tax saver fixed deposits, and increase in tax exemption limit for interest income from term deposits.

The survey revealed that iron and steel, infrastructure and textiles continue to account for a large concentration of non-performing assets (NPAs).

Overall, the number of banks reporting a rise in the level of NPAs is lower in the current round of the survey as against the preceding round. While 76 per cent of the participating banks reported a rise in the level of NPAs during July-December, 85 per cent had reported so for the preceding six-month period.

Going forward, the key sectors identified by banks which could see a greater demand for long-term credit include infrastructure, automobiles and food processing.

## **5. 'Holiday meeting helped Mallya get IDBI Bank loan'**

**PTI**

Two initial tranches of loan worth Rs. 350 crore were hastily disbursed by IDBI bank to Kingfisher Airlines after a "holiday" meeting between liquor baron Vijay Mallya and the then bank CMD as both organisations "criminally conspired" to clear the entire deal despite weak financials of the airline, the ED has said.

The total loan sanctioned and disbursed by IDBI was Rs. 860.92 crore.

The agency, probing the case for money laundering charges, has said its investigation found that the processes deployed to structure and re-structure the loan by the bank to the now-defunct airline was planned to be defrauded and that Mallya and Kingfisher Airlines (KFA) had "no intent" to repay it.

"PMLA investigation indicates that the marketable value and quality of the collateral security offered by Ms KAL (KFA) and its promoters was not assessed. There is a complete lack of due diligence on the part of the bank coupled with the fact that undue haste was shown while disbursing the initial two tranches of loan amounting to Rs. 350 crore.

"It is apparent that the said loans were disbursed post meeting of Mallya with the then CMD (Yogesh Aggarwal) of the bank on a holiday. It does not need an eagle's eye to decipher the cause of immediate disbursement of the loan amount of Rs. 150 crore on October 7, 2009 and Rs. 200 crore on November 4, 2009," the Enforcement Directorate (ED) probe report, accessed by PTI, said.

The CBI recently arrested Aggarwal and eight others in this case.

The report added this specific transaction, where "substantial amounts" were sanctioned to KFA, in an ad-hoc basis and without due diligence points to the "existence of a deep rooted criminal conspiracy between the bank officials and the promoters of KAL (KFA)".

The agency, in its report, has appended the statement of the Aggarwal given to ED on March 23 last year wherein he told the Investigating Officer (IO) of the case that in October 2009, Mallya made a telephonic call to his office and requested for an "urgent meeting the very next day".

"As the next day was a holiday, it was pointed out to him... and he could meet at a later day. However, he (Mallya) informed that he was leaving Mumbai next day evening and as the matter was urgent, he would be grateful if he could meet the next day despite it being a holiday to which he (Aggarwal) agreed," the ex-CMD said, adding Mallya did meet him the next day along with a former MD and current advisor of the bank and an Executive Director of IDBI.

"Mallya informed that Ms KAL (KFA) was in a severe crunch and needed funds urgently to keep flying," Aggarwal said in his statement.

## **6. India Post gets payments bank licence to start services**

**OUR BUREAU**

India Post Payments Bank -- the Payments Bank floated by the postal department -- has received the RBI's final nod to commence commercial operations.

As a differentiated bank, it will confine its activities to acceptance of demand deposits, remittance services and other specified services.

A payments bank can accept deposits up to Rs. 1 lakh per account from individuals.

The Centre has also appointed A.P.Singh, who was earlier Joint Secretary in the Department of Investment and Public Asset Management, as the interim managing director and CEO of IPPB.

Singh was also the Deputy Director-General in-charge of financial inclusion and payment systems in the founding team of UIDAI.

India Posts Payments Bank has been set up as a company, which is wholly owned by the Indian Government.

In 2015, RBI had granted 'in-principle' approval to 11 entities, including the Department of Posts, to set up payments banks.

Since then three companies/ consortiums had backed out and dropped their plans to start payments banks.

Of the remaining eight, Airtel was the first to launch its payments bank with an initial investment of Rs.3,000 crore.

## **7. RBI rejects EC's plea for raising cash-withdrawal limit for candidates**

PTI

The Reserve Bank of India (RBI) has rejected the request of the Election Commission to enhance the weekly cash-withdrawal limit, imposed after demonetisation, for those contesting Assembly elections in five states, prompting an angry reaction from the poll panel.

The Commission had on Wednesday requested RBI to enhance the withdrawal limit of candidates to Rs. 2 lakh from Rs. 24,000 per week imposed post demonetisation as the nominees would find it difficult to meet their campaign expenditure.

But RBI said that it was not possible for it to hike the limit at this stage.

An apparently peeved Commission has now written back to RBI Governor Urjit Patel expressing "serious concern about the cursory manner in which the issue has been dealt with".

"...(It) appears that the RBI has not realised the gravity of the situation...It is reiterated that it is the constitutional mandate of the Commission to conduct free and fair elections and to provide level-playing field to all candidates...in order to facilitate proper conduct of elections, it is imperative that directions issued by the Commission are complied with," the poll panel said.

It urged the central bank to reconsider the proposal.

On Wednesday, the Commission had told RBI that it has been apprised of the problems candidates were facing due to withdrawal limits imposed after the note ban.

It said the returning officer of the constituency would issue certificate that the person was a candidate in the fray and the contestant be allowed to withdraw Rs. 2 lakh cash per week from the bank account opened especially to meet poll expenses.

The EC said the facility be extended till March 11, the day of counting. Candidates are bound to open an election account for meeting poll-related expenditure which is monitored by the EC.

The Commission said that with a weekly withdrawal limit of Rs. 24,000, a candidate would be able to withdraw Rs. 96,000 in cash during the election process which lasts three to four weeks.

It reminded the central bank that as per law, candidates contesting Assembly polls in Uttar Pradesh, Uttarakhand and Punjab can spend Rs. 28 lakh each for electioneering.

The limit in Goa and Manipur is Rs. 20 lakh each. The poll panel said despite paying amounts through cheques, candidates still need hard cash for petty expenses. Also the issue is further adversely affected in rural areas where banking facilities are negligible.

## **8. AP Singh is interim head of Postal Bank**

OUR BUREAU

India Post Payments Bank (IPPB), floated by the postal department, has received Reserve Bank of India's final nod to commence commercial operations. The Centre has appointed AP Singh, who was earlier Joint Secretary in the Department of Investment and Public Asset Management, as the interim Managing Director and CEO of IPPB.

Singh was also in the founding team of the Unique Identification Authority of India.

As a differentiated bank, IPPB will confine its activities to acceptance of demand deposits, remittance services and other specified services. It can accept deposits up to ₹1 lakh per account from individuals. India Posts Payments Bank has been set up as a company, wholly-owned by the government. In 2015, the RBI had granted 'in-principle' approval to 11 entities, including the Department of Posts, to set up payments bank. Since then, three companies/consortia had backed out and dropped their plans.

Of the remaining eight, Airtel has been first off the block to launch its payments bank with the promoters committing to an initial investment of ₹3,000 crore.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**