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Dear Comrades,

8th November , 2017

News of Interest 8th NOV

MOTIVATIONAL QUOTES

“PRESS FORWARD. DO NOT STOP, DO NOT LINGER IN YOUR JOURNEY, BUT STRIVE FOR THE MARK SET BEFORE YOU.” —GEORGE WHITEFIELD

HIGHLIGHTS

- 1. DEMONETISATION WAS A MONUMENTAL BLUNDER, GST HASTILY IMPLEMENTED: MANMOHAN**
- 2. DEMONETISATION IS A WATERSHED MOMENT IN INDIAN ECONOMIC HISTORY: JAITLEY**
- 3. INDIAN OVERSEAS BANK Q2 NET LOSS WIDENS TO RS 1,222 CRORE**
- 4. DEMONETISATION EFFECT: CASH-SURPLUS BANKS CUT COSTLY DEPOSITS**
- 5. BANKS SHOULD HARNESS POWER OF CUSTOMER DATA AVAILABLE WITH THEM: REPORT**

Business Standard

- 1. Demonetisation was a monumental blunder, GST hastily implemented: Manmohan**

Demonetisation has proved to be a mere bluster to reap political dividends, the former PM said

Vinay Umarji

Former prime minister Manmohan Singh on Tuesday came down hard on the Narendra Modi government's key policy measures over the past one year, saying while demonetisation was a "monumental blunder", it was followed up by a "badly designed and hastily implemented GST".

Singh's remarks came during his address to youths and small businessmen in Ahmedabad, a day before the Bharatiya Janata Party (BJP) was to

observe the first anniversary of demonetisation on November 8 as 'anti-black money day'.

"Demonetisation has proved to be mere disaster. One-percentage-point fall in GDP (gross domestic product) costs our nation Rs 1.5 lakh crore. Think of the human impact of this loss where businesses had to shut down," said the veteran Congress leader, who is campaigning for his party in Gujarat, which goes to the polls next month.

"The government did not heed our advice on demonetisation. Even more tragic is that after the monumental blunder of demonetisation, instead of providing relief to the poor, farmers, and small and medium businesses, the government inflicted a badly designed and hastily implemented GST on people. This is a complete disaster for our economy," he added.

He said the note ban coupled with the goods and services tax (GST) would push people back into poverty after the previous Congress-led UPA government brought 140 million people out of poverty. Citing examples of Surat's textile industry, Morbi's ceramic industry, and Rajkot's automobile components industry, he said the domestic industry could not cope with the impact of the two measures, resulting into China benefiting through increased imports.

"In Surat alone, 60,000 looms have been discarded since July. 21,000 jobs have been lost in just one industrial cluster in Surat. In the rest of the country, it is equally bad, if not worse. The unprecedented growth in imports from China can be attributed to demonetisation and the GST. These twin blows damaged India's SME sector," the 85-year-old leader said. Taking a further dig at the GST, Singh said the current structure was a "great departure" from the Congress' vision and had "transformed into a mess".

Taking a dig at GST, Singh said the current structure was a "great departure" from Congress' vision and has "transformed into a mess".

"Government did not pay any advice to Congress, neither in Parliament nor private consultations. GST has become a nightmare for small businessmen. Needless confusion has been caused by GST which has sowed deep-rooted fear of tax terrorism. At a time when the economy slowed down despite global conditions, tax terrorism has led to lowest growth in private investment in last 25 years," he stated.

Singh also called the Modi government's ambitious bullet train project between Ahmedabad and Mumbai neither an exercise of vanity while stating that it would neither benefit the 65 million Gujaratis nor the rest of the country.

"The Rs 88,000 crore soft loan may seem like easy money but it will still need to be repaid. Gujarati entrepreneurs know very well that if a deal is too good to be true then it is probably not good," Singh said.

Singh also maintained that the Gujarat government was the worst performer in settling claims of title deeds for tribals at an average of 44 per cent in the state as against 87 per cent nationally.

"Congress ushered in right to fair compensation, rehabilitation and resettlement by undoing 123-year-old imbalance through Land Acquisition Act. However, Gujarat government has taken controversial decisions to ease norms to sell forests land to industries. After decades, the time has come for people of Gujarat to repose their faith in Congress which will work with 65 million Gujaratis to reach new heights," Singh said in his address.

2. Demonetisation is a watershed moment in Indian economic history: Jaitley

'The loot is what happened in 2G scam and allocation of coal blocks, whereas demonetisation was an economic exercise based on ethical and moral rationales,' the FM said

Arup Roychoudhury & Archis Mohan

Finance Minister Arun Jaitley on Tuesday called demonetisation a "watershed moment in the history of Indian economy". He quoted data extensively to make a case for the announcement by Prime Minister Narendra Modi's announcement on November 8 last year to put 86 per cent of currency out of circulation.

In a blog and at a press conference later at the Bharatiya Janata Party (BJP) headquarters here, Jaitley said the note ban had achieved its objectives of reducing the cash component in the economy, widening the tax net, exposing unaccounted wealth and reducing anonymity of cash. The FM also rejected criticism of 'tax terrorism' that followed demonetisation and the goods and services tax. "A more efficient system to check evasion is a fair and honest system. It can't be a terrorism system. An efficient system enables us to check evasion. It only enables us to ensure people pay what they have to pay."

Jaitley also responded to the criticism of demonetisation by former prime minister Manmohan Singh. Jaitley said he was "amazed that an economic exercise that has an ethical and moral rationale has been termed as loot." What is ethically and morally correct has to be politically correct. The examples of "loot", Jaitley said, were the sundry scams during the UPA years, like 2G, Commonwealth Games and coal block allocations scams. "As far as ethics go, our and Congress' perspectives are different. Their primary objective is to serve the family. Ours is to serve the nation."

On criticism by former Reserve Bank of India governor Raghuram Rajan, the FM said he doesn't share that criticism.

"Benefits of these may not yet be visible to some people. The next generation will view post-November 2016 national economic development with a great sense of pride as it has provided them a fair and honest system to live in," Jaitley wrote in the post. The finance minister also spoke about how demonetisation led to an acceleration in savings moving away from cash and into capital markets and savings schemes. Jaitley said demonetisation also led to a big leap in digital payments. "The reduction in incidences of stone-pelting, protests in J&K and Naxal activities in LWE (left wing extremists) affected districts are also attributed to the impact of demonetisation as these miscreants have run out of cash."

Financial Express

3. Indian Overseas Bank Q2 net loss widens to Rs 1,222 crore

Chennai-headquartered public sector lender Indian Overseas Bank (IOB) on Tuesday reported a net loss of Rs 1,222.50 crore for the second quarter as against a net loss of Rs 765.13 crore in the same quarter last fiscal

By: FE Bureau

Chennai-headquartered public sector lender Indian Overseas Bank (IOB) on Tuesday reported a net loss of Rs 1,222.50 crore for the second quarter as against a net loss of Rs 765.13 crore in the same quarter last fiscal. The bank which has been plagued by mounting bad assets for quite a long time for now, said that the widening of net loss was due to increase in the

provision by 23.6% over September 2016 and the quantum of additional provision made to the tune of Rs 985.04 crore during September 2017 quarter. The total income of the bank for Q2, 2018 stood at Rs 5610.35 crore as against Rs 5961.62 crore, in the same quarter last fiscal, registering a decrease of 5.89%. Getting into an alarming situation, the gross NPA stood at Rs 34,708.59 crore with ratio of 22.73% as against Rs 34,724.12 crore with ratio of 21.77%. Likewise, the net NPA was at Rs 18,949.55 crore with a ratio of 13.86% as compared to Rs 20,765.31 crore with ratio of 14.30%.

The bank in a statement said that the total recovery of Rs 3965 crore was achieved in Q2, 2018 as against the recovery of Rs 2784 crore in June quarter while the total slippage was restricted Rs 2693 crore.

Economic Times

4. Demonetisation effect: Cash-surplus banks cut costly deposits

By Joel Rebello

The liquidity boost resulting from the demonetisation announcement on November 8, 2016 has stayed with the banking sector a year after the event, helping banks reduce their high-cost deposits and boosting their current account and savings account (CASA) ratio.

A study by Bhupal Singh and Indrajit Roy, RBI directors from the monetary policy department and department of statistics and information management, published in August this year showed that the excess deposits accrued to the banking system due to demonetisation range between Rs 2.8-4.3 trillion.

"Excess deposit growth in the banking system during the demonetisation period (i.e., November 11, 2016 to December 30, 2016) works out to 4-4.7 percentage points. If the period up to mid-February 2017 is taken into account to allow for some surge to taper off, excess deposit growth is in the range of 3.3-4.2 percentage points. Considering some more temporal tapering of deposits, the exercise taken up to end-March 2017 reveals that excess deposit growth would be in the range of 3-3.8 percentage points," the researchers said in a study published on the RBI website.

Udit Kariwala, senior analyst, financial an institution at India Ratings & Research, estimates that 55% to 60% of the deposits have remained with banks either in the form of fixed deposits or CASA.

"All banks have benefitted. For public sector banks the benefit has been due to mark-to-market gains due to the rise in prices of government securities together with a cut in their bulk deposit rates and for private sector banks especially those that are building their deposit franchise the gains have been due to a sharp rise in CASA," Kariwala said.

Indeed, new age private sector banks like Yes Bank, IndusInd Bank and Kotak Mahindra Bank have seen a quickening in CASA accretion which will help them reduce their cost of deposits earlier than previously forecasted. Digital banking also got a push post demonetisation with private sector banks taking the lead armed with cutting-edge technology and full government backing to ensure that transactions move online.

In March this year, Kotak Mahindra went a step further and used November 8 to start their new digital offering called 811. IndusInd CASA, for example, has risen to 42.3% of deposits this year from 36.9% in the fourth quarter of last year while Kotak's CASA has increased to 47.8% in September 2017

from 44% at the end of last fiscal. Yes Bank's CASA is also up to 37.2% from 36.3% in the fourth quarter of last fiscal.

Karthik Srinivasan, head of financial sector ratings at ICRA, said the only difference between public sector and private banks post demonetisation has been the side variation in credit growth as public sector banks have been plagued by rising NPAs.

Data from the RBI website shows that credit growth for public sector banks increased 4.4%, half of the banking system growth of 8%, in the fiscal year ended March 2017 in a stark contrast to the 20.3% growth seen by private sector banks.

Business Line

5. Banks should harness power of customer data available with them: Report

L N REVATHY

Banks, no doubt, have large amounts of data on their customers. And this "data" is one "brahma-astra" that can unleash unprecedented value for Indian banks, as it reveals the full financial genome of the customer -- be it an individual or a corporate. Banks should, therefore, leverage this (data) to their advantage, notes a study by Boston Consulting Group.

The report titled "Hidden Treasure: How data can turn the fortunes for Indian Banks" argues that using data in every component of the banking business model could cumulatively add Rs. 3 lakh crore to the bottom line over the next five years.

The survey findings reveal that banks have more data per unit of revenue than any other industry. The banking industry's current data intensity has been estimated at 5330 GB (gigabytes) for every Rs. 1 crore revenue, followed by the media industry (with an estimated 4680 GB of data).

Harnessing this power could potentially uplift the sector's ROA (Return on Asset) by 0.4 per cent, equivalent to Rs. 50,000 crore. But to chieve this potential, banks will need to build "memory" and "brain".

While memory can be built by building a massive data lake that can house huge volumes of data in a cost-efficient manner, the brain requires building algorithms and cases that unleash the value of data.

To unlock the value, banks will need to build an Integrated Client View (ICV) of customers.

Levers such as differential pricing, sharper credit risk assessment and early warning systems would drive RoA improvement through better income and lower NPAs and customer analytics - help reduce regrettable churn, increase engagement and sales, the report suggests.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**