



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)

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Dear Comrades,

02nd Februrary, 2019

### News of Interest 2<sup>nd</sup> Feb

#### QUOTE OF THE DAY

“ONE WAY TO KEEP MOMENTUM GOING IS TO HAVE CONSTANTLY GREATER GOALS.”  
MICHAEL KORDA

#### HIGHLIGHTS

1. TAX BENEFITS FOR ABOVE RS 5 LAKH INCOME GROUP MAY BE CONSIDERED NEXT: GOYAL
2. STATE BANK OF INDIA Q3 NET PROFIT AT RS 3,954 CR; NII RISES BY 21.42%
3. NPA CRISIS: NOT JUST RECAPITALISATION, PSBS MUST CHANGE HANDS
4. WINNERS AND LOSERS IN NARENDRA MODI'S INTERIM BUDGET
5. DESPITE CONSUMPTION PUSH, RBI NOT TO WORRY ABOUT INFLATION FOR NOW

#### Business Standard

##### 1. Tax benefits for above Rs 5 lakh income group may be considered next: Goyal

As the nation is moving towards formalisation, the tax base and revenues are also increasing, says Piyush Goyal

##### Business Standard

Finance Minister Piyush Goyal expressed confidence that the Narendra Modi government would return to power in the upcoming general elections, and that it might look at tax relaxations for individuals earning more than Rs 5 lakh annually in the full Budget for 2019-20. Edited excerpts from Goyal's post-Budget press conference:

**You said that in the main Budget, you would further look at the income tax rate slabs.**

I hope that the next government under the leadership of Prime Minister Narendra Modi will look at other tax proposals in the main Budget. That would be the job of the finance minister then. I have been constrained by

the nature of interim Budget. However, there are many things that could not have waited till the final Budget, particularly relief for small taxpayers, which I have passed on. The rest is for the next FM to decide in July. Anyway, if you see the track record of this government, for five years consistently, we have passed on many benefits to taxpayers.

**If a person's taxable income is Rs 8 lakh, would tax benefits be according to the present slabs?**

Yes. Keeping the convention of interim Budget in mind, we have not touched the tax slabs, and the existing slabs will continue. For only those with taxable income below Rs 5 lakh, we have announced a measure in the interim Budget.

**Do we have a new fiscal road map in place?**

A lot of economic growth has not been captured in the GDP numbers that came out earlier. As the nation is moving towards formalisation, the tax base and revenues are also increasing. Probably that has taken some time to reflect in the (GDP) numbers. As the calculation is getting robust and given the new numbers just came out, fiscal consolidation may not change much. When we calculate with the new estimates, we have done better than the original road map.

**What do you have to say on the revised fiscal deficit numbers?**

You would appreciate that this government, for four years consistently, has given Budgets in which we have met (the fiscal target). Our figures for actual are close to the revised estimates. And it's actually 3.36 per cent (for 2018-19) – it could have become 3.30 per cent. Whatever figures come by working from the bottom, we have maintained the sanctity of the Budget process, which is reflected in the actual figures.

That has been the strength of this government's fiscal consolidation – the integrity in making Budgets.

**Have you completely provided for fertiliser and petroleum subsidy in the revised estimates?**

We have provided for all that is required. In fact, what we inherited as unpaid subsidy was the worst form of fiscal indiscipline in 2014. Almost Rs 1.60 trillion unpaid bill was left behind by the UPA government, which this government paid.

**Will the income support scheme go along with subsidy to farmers?**

This is an income support scheme which has no co-relation with subsidy. Land holdings have kept on getting divided. Over 70 million farmers have land holding of less than half hectare. So you can imagine the impact this income support of Rs 6,000 will have on the farmers living in villages.

**2. State Bank of India Q3 net profit at Rs 3,954 cr; NII rises by 21.42%**

Control on slippages and lower overhead expenses boosted bottom line

Abhijit Lele | Mumbai

State Bank of India, the country's largest lender, posted a net profit of Rs 3,954 crore for the third quarter ended December 31, 2018, (Q3FY19) on substantial improvement in interest margins and control over slippages.

It had posted a net loss of Rs 2,416 crore in the third quarter of December 2017 (Q3FY18). Net profit in the second quarter of the current financial year was Rs 944 crore.

Despite reporting better profits over Q2, the SBI stock closed 3 per cent lower at Rs 284 per share on BSE.

The bank attributed profits in Q3FY19 to domestic credit growth (15.65 per cent) and better net interest margins (NIMs) due to higher yields on advances. Cost of funds remained flat.

Control on slippages, lower overhead expenses and write-back of mark-to-market provisions due to softening of bond yields contributed to strengthening of the bottom line, SBI chairman Rajnish Kumar said.

Net interest income (NII) grew by a healthy 21.42 per cent from Rs 18,688 crore in Q3FY18 to Rs 22,691 crore in Q3FY19 mainly on growth in domestic credit and lower slippages.

The NIM improved by 30 basis points to 2.97 per cent in Q3FY19 from 2.67 per cent in Q3FY18. "The NIM is inching up and the first step is to take the NIM to the three per cent level," Kumar said in conference call with the media.

However, non-interest income declined by 0.61 per cent to Rs 8,035 crore in Q3FY19 from Rs 8,084 crore in Q3FY18, mainly on account of decline in trading income.

Deposits grew by 6.76 per cent from Rs 26,51,240 crore in December 2017 to Rs 28,30,538 crore as on December 2018. The share of low cost deposits (current account and savings account or CASA) improved by 10 basis points from 45.13 per cent (in December 2017) to 45.23 per cent in December 2018.

Total advances rose by 11.99 per cent from Rs 19,24,578 crore in December 2017 to Rs 21,55,316 crore in December 2018. Corporate advances expanded by 20.67 per cent to Rs 7,74,715 crore in December 2018, led by growth in loans to public sector undertakings and high rated corporates.

Retail personal loans registered a growth of 17.57 per cent at Rs 6,12,595 crore as on December 2018. As part of the retail book, the home loans portfolio rose by 15.33 per cent to Rs 3,47,255 crore as in December.

SBI bought retail assets worth Rs 11,112 crore, mostly priority sector loans, from non-banking financial (NBFCs) and housing finance companies (HFCs) in the third quarter. The NBFCs and HFCs experienced liquidity pressure following defaults by IL&FS group entities in the second quarter.

Its asset quality profile showed substantial improvement in the third quarter. Gross non-performing assets (GNPAs) declined to 8.71 per cent as on December 2018, from 10.35 per cent a year ago.

Kumar said with further improvement in recoveries and resolution of stressed assets, the bank is hoping that GNPA's will fall below seven per cent by March 2019. Net non-performing asset ratio declined to 3.95 per cent in December 2018 from 5.61 per cent. The bank would expect it to be below 3 per cent by March 2019.

Provision coverage ratio, including written-off accounts, improved from 65.92 per cent in December 2017 to 74.63 per cent as on December 2018. Its exposure of Rs 900 crore to holding companies of IL&FS group has been treated as non-performing and the bank has made 50 per cent provision for it.

An exposure of Rs 2,200 crore to operating entities or special purpose vehicles is standard as repayments are happening on the back of cash flows, SBI said.

The bank remained well capitalised with capital adequacy ratio of 12.77 per cent against the regulatory requirement of 11.32 per cent at the end of December 2018.

## **Financial Express**

### **3. NPA crisis: Not just recapitalisation, PSBs must change hands**

By: [Banikinkar Pattanayak](#)

From using the old tricks of capitalising even sinking public-sector banks (PSBs) to bringing in new reforms like the Insolvency and Bankruptcy Code (IBC) to facilitate an early detection and time-bound resolution of stressed assets, the current government tried it all.

There was never a dull moment in banking in the Modi era. Having inherited a bad loan mess, caused by "indiscriminate lending" in the UPA era, the NDA government spent much of its time fire fighting. From using the old tricks of capitalising even sinking public-sector banks (PSBs) to bringing in new reforms like the Insolvency and Bankruptcy Code (IBC) to facilitate an early detection and time-bound resolution of stressed assets, the current government tried it all.

In this process, it ruffled RBI's feathers, brought in a law to attach assets of economic offenders like Vijay Mallaya or Nirav Modi who flee the country, and amalgamated Bank of Baroda, Vijaya Bank and Dena Bank in a bid to create only a few large state-run banks with scale and strong balance sheets.

At the end of the NDA's five years, just when state-run banks were assumed to have made progress in war against bad loans (NPA ratio is set to fall for the first time in nearly a decade in FY19, although it will be as high as 10.3% and PSBs' ability to lend still remains stunted) and credit growth picked up, a brewing liquidity crisis in the shadow-banking space flared up with the IL&FS default.

Also, while the NPA mess created by the UPA involved lending to mostly large corporations (just the 12 accounts, including Bhushan Steel and Essar Steel, recommended by the RBI in 2017 for resolution under the IBC made up for a quarter of total bad loans), the government's push for easier and greater credit flow to MSMEs and farmers ahead of polls has analysts warn of the next bad loan crisis emanating from these segments. The public spat

between the finance ministry and RBI, and the surprise resignation of then Governor Urjit Patel for “personal reasons” drove the typical uneasy relationship between the government and the central bank, witnessed during the UPA era, to a tumultuous level.

The ministry’s demand for changes to the “stringent” framework for nursing weak banks to health and higher transfer of the central bank surplus, among others, were resisted by RBI under Patel. The government used a never-invoked Section 7 of the RBI Act to seek mandatory consultations with the regulator. Following Patel’s resignation in December 2018, former finance ministry bureaucrat Shaktikanta Das took over as the Governor the very next day.

Meanwhile, PSBs saw their fortunes plummet. Their share in the total market capitalisation of banks kept dwindling from almost 66% in the beginning of the UPA-1 and over 42% when the NDA-2 regime took over in 2014 to just around 26% now, despite huge capital infusion.

RBI initiated a strict asset quality review on banks in 2015, forcing them to recognise bad loans that were kept under the carpets. High provisioning substantially eroded the capital base of PSBs and impaired their lending ability.

Non-food credit growth slumped from an annual average of 22% in the decade under the UPA to less than 10% in the four years through FY18. As many as 11 of the 21 PSBs made it to RBI’s watch list.

Concerned that the proposed infusion under the Indradhanush programme wouldn’t suffice, the government in October 2017 announced an unprecedented Rs2.11 lakh crore capitalisation plan for two years through FY19. Then surfaced a spate of scandals: the Rs14,357-crore fraud at Punjab National Bank caused by Nirav Modi and Mehul Choksi being the biggest in the banking history that just exacerbated the crisis. The government announced an extra Rs41,000-crore infusion for FY19. LIC again came to rescue by acquiring up to a 51% stake in IDBI Bank, saving the government the need to infuse huge capital into the stressed bank.

Stung by the crisis, the government tied its capital infusion to strict performance goals and governance reforms by the PSBs. However, it stopped short of selling its stake in weak PSBs.

## **Economic Times**

### **4. Winners and losers in Narendra Modi's Interim Budget**

Bloomberg

Prime Minister Narendra Modi has delivered an interim budget likely to boost the government’s popularity ahead of polls that are now just months away.

The budget includes big announcements such as a major income support scheme for farmers and a new pension program for workers. It also includes a number of smaller measures that could prove popular, including tax relief for India’s lower middle class.

Delivered by Finance Minister Piyush Goyal because Arun Jaitley is in the US for medical treatment, the budget speech was heavy on praise for the

government's programs over the last four-and-a-half years -- sometimes prompting boos from the opposition.

Farmers, as well as companies with exposure to rural India and middle class taxpayers, seem to be the clear winners here at the expense of the country's fiscal deficit.

## **WINNERS**

**Farmers:** As expected, Modi's administration has come out with a massive spending plan for the country's farmers: A 750 billion-rupee (\$10.5 billion) farm income support program. Farmers with less than two hectares of land will receive 6,000 rupees (\$84) each year. That's likely to assist about 120 million small and marginal farmers, the government said. Agriculture-focused companies such as Shakti Pumps India Ltd., Jain Irrigation Systems Ltd., KSB Ltd., Kirloskar Brothers Ltd., Avanti Feeds Ltd., Waterbase Ltd., JK Agri Genetics Ltd., PI Industries Ltd. could benefit.

**Tax payers:** Income tax payers earning up to Rs 500,000 will get a full tax rebate, while those earning up to 650,000 rupees will not need to pay tax if they invest in the country's provident funds and prescribed equities. Goyal said this could benefit as many as 30 million middle class taxpayers. Anyone earning more will be taxed at the prevailing rates.

**Rural India:** Increased spending on the animal husbandry and fisheries sectors and an interest subvention plan for small-and-medium-sized businesses could benefit companies with exposure to rural India. That includes motorcycle companies and others with interests in the country's heartland including Mahindra & Mahindra Ltd. and Larsen & Toubro Ltd.

**Workers:** A second big announcement in the budget was for a "mega" pension program for India's informal sector workers with income below Rs 15,000. The vast majority of the country's workers are employed in small enterprises, often with little job security and no social security benefits.

**Real Estate:** The Bombay Stock Exchange's real estate index climbed as the government reiterated its push for affordable housing and announced new measures that could boost home-buying. Goyal promised a home for every person in India, a country of 1.3 billion people, and proposed to allow investments of as much as Rs 20 million from capital gains for buying two residential houses, compared with only one at present. He also proposed waiving tax on the notional rent payable on a second self-occupied house. Companies that could benefit include Oberoi Realty Ltd., Prestige Estates Projects Ltd. and DLF Ltd.

**Auto-makers:** The S&P BSE Auto Index jumped as much as 5.3 percent, its biggest intraday advance since May 2014, as Goyal delivered his speech. Maruti Suzuki India Ltd., Hero MotoCorp Ltd. and Bajaj Auto Ltd. gave the biggest boost to the benchmark S&P BSE Sensex.

**Modi:** In his government's budget, two major initiatives -- a farmer income support plan and a pension plan -- bear the name of the prime minister's office. Although the farmers' plan was expected, the pension announcement was not. And both could go some way to boosting Modi's popularity ahead of elections.

## **LOSERS**

**Bond holders:** Modi's government will breach its fiscal deficit target for a second year, with the budget gap estimated at 3.4 percent. Bond holders could get hit if Moody's or S&P downgrade the country's credit rating. Moody's has already said the government's budget includes no new policies to increase revenues.

"Ongoing slippage from the government's budgeted fiscal deficit targets over the past two years, and our expectation that the government will face challenges meeting its target again this coming fiscal year (ending March 2020) does not bode well for medium term fiscal consolidation," said Gene Fang, an associate managing director at Moody's Investors Service's sovereign risk group.

Sovereign bonds slid after the government detailed higher-than-expected borrowing numbers for fiscal 2019-20. The yield on the most traded 2028 bond was up 14 basis points to 7.63 percent.

**Opposition parties:** Modi's administration has unleashed an interim budget full of populist goodies for farmers, the middle class and small-and-medium-sized businesses. Regardless of whether the government implements any of this with the election due by May, the announcements could still hurt opposition parties as they head out on the campaign trail with only manifesto promises to offer voters.

**Farm labourers:** Rural labourers who toil on farms but don't actually own any land will not benefit from the government's big spending plan for farmers. These workers are often already desperately poor, while most state-initiated plans to boost prosperity in the countryside tend to focus on land-owning farmers.

**Defence:** In dollar terms, India's defence spending is less than it was last year because of depreciation. This year's budget allocates about Rs 3.05 lakh crore (\$43 billion) for defence spending, most of which is eaten up by recurring costs that squeezes the money available for new arms purchases.

Last year, the government allocated about 2.85 trillion rupees (\$40 billion). But the rupee has depreciated over the past year and on Feb. 1, 2018, 2.85 trillion rupees amounted to roughly \$44.5 billion. That stagnation matters, because India is one of the world's largest weapons importers. Effectively, the Indian government is compensating for depreciation and inflation, and will likely still sell this as an increase in defense spending.

## **Business Line**

### **5. Despite consumption push, RBI not to worry about inflation for now**

[Our Bureau](#) [Mumbai](#)

Central bank may not raise rates in February 7 monetary policy review: analysts

A host of measures to increase disposable income and consumption demand have been announced in the Interim Budget, but inflationary worries are still low. According to analysts, the Reserve Bank of India is unlikely to increase rates immediately.

The RBI is set to announce its sixth bi-monthly monetary policy for 2018-19 on February 7. In its last policy in December, it had projected inflation at 3.8 per cent, against 4.2 per cent in the first half of the fiscal, with risks tilted to the upside while maintaining a status quo for rates. Since then retail inflation has eased to an 18-month low of 2.19 per cent in December and the market has been expecting a continued pause, if not a rate cut.

Interim Finance Minister Piyush Goyal's announcement of a direct income support of Rs.6,000 annually to farmers is likely to boost consumption demand in rural areas. The proposed measures on income tax, including exemption for persons with gross taxable income of up to Rs.5 lakh, and tax benefits in the real estate and housing sector is set to increase disposable incomes.

"I don't see a major impact on inflation expectations as capacity utilisation has still not peaked. We see a continued rate pause for some time by the RBI to support growth," said Ranen Bannerjee, partner and leader, public finance and economics, PwC India.

**Fiscal slippage:** However, a concern, which the RBI and the Monetary Policy Committee is also likely to highlight is the fiscal slippage. The Centre has pegged its fiscal deficit in the Revised Estimate at 3.4 per cent for 2018-19 as against 3.3 per cent in the Budget Estimate and at 3.4 per cent for 2019-20 compared to earlier plans of lowering it to 3.1 per cent. In its initial comments on the Budget, Moody's has said the continued slippage in fiscal deficit is credit negative for the sovereign and does not bode well for medium-term fiscal consolidation. The Finance Ministry is also not expecting any significant spike in inflation this fiscal and expects nominal GDP growth at 12.3 per cent and at 11.5 per cent next fiscal. "The slight dip of 0.8 per cent in GDP growth is anticipated on account of the inflation stabilising at the targeted rate of 4 per cent," said the Budget documents.

Madhavi Arora, Economist, FX and Rates- Edelweiss Securities, said the MPC is likely to view the Budget projections cautiously amid skewed fiscal impulse towards consumption, which could be inflationary. "We retain our view that MPC will change its stance to neutral by February and sustained lower inflation would open up space for 25-50 bps easing in the first half of 2019-20," she said.

With kind regards,

Yours Comradely,



**( N. GOVINDRAJULU )  
GENERAL SECRETARY**