



## **Standing Committee on Finance-PSB officials meet: 'Demonetisation and service charge issues discussed'**

**Reforms in life, general insurance were also talked about: Panel member**

George Mathew | Mumbai | May 14, 2017 INDIAN EXPRESS

Ahead of Reserve Bank of India (RBI) Governor Urjit Patel's scheduled appearance before the Standing Committee on Finance (SCF) on May 25, the panel headed by Veerappa Moily held discussions about financial sector issues, including demonetisation, with top public sector banks (PSBs) and insurance companies in Mumbai.

"We discussed financial sector issues with them. Issues like demonetisation and bank services charges also came up," a senior member of the panel told The Indian Express. "Today, we met SBI (State Bank of India) chairman Arundhati Bhattacharya and her colleagues and, thereafter, we met LIC (Life Insurance Corporation of India) chairman and (its) MDs," he said.

"We also met the Union Bank of India chairman. Yesterday (on Friday), we discussed general insurance issues with insurance companies," he said.

Banking sector issues and reforms are important for the country. Two general insurance companies — GIC Re and New India Assurance — are getting ready to go public and list their shares on the exchanges. Panel members raised questions about the hike in service charges after demonetisation. Bank unions and non-government organisations also submitted memorandum to Moily against the hike in service charges.

Banks had jacked up service charges, including ATM cash withdrawal charges, after demonetisation.

On the discussions with financial sector chiefs, the panel member said: "This is to gather information and evidence. Then we will formulate reports. We have few subjects before us... banking reforms, tax-GDP ratio and also revenue generation. We also discussed reforms in life and general insurance sectors. The overall focus is on reforms in financial sector."

The panel also sought information on the revenue generation in Maharashtra, the largest contributor to the tax kitty. "In Pune, we met Maharashtra income tax commissioner, others from the department in Pune and Nagpur and Director General Enforcement," the member said.

The panel had asked RBI Governor Urjit Patel to appear before it again on May 25 over demonetisation issue. Patel was spared a grilling when he had appeared before the SCF in January this year after former Prime Minister [Manmohan Singh](#), who himself was the RBI governor once, intervened to say that the RBI as an institution should be respected and Patel should not be put "odd questions".

Six months after the withdrawal of the legal tender status of Rs 500 and Rs 1,000 notes by the RBI, the full picture on currency withdrawal is not available even now as the RBI is yet to release data on demonetised money that has come back into the banking system. Bank deposit rates have fallen under the force of excess liquidity in the system while banks have lowered their lending rates in a bid to make borrowing easier. However, bank credit growth is still to pick up.

## **'NPA ordinance may have limited impact'**

[SPECIAL CORRESPONDENT](#) NEW DELHI, MAY 09, 2017

THE  HINDU

### **Stressed assets' market value low now**

The effect of the ordinance empowering the Reserve Bank of India to deal more effectively with non-performing assets will be limited as

operational problems of the stressed sectors remain, Moody's Investors Service said in a report.

"The government's recent ordinance provides RBI with greater legal authority to intervene in non-performing loans (NPL) resolution," according to the report. "RBI can now direct banks to initiate insolvency proceedings with respect to specific borrowers who are in default, and can appoint advisory committees to advise banks on the resolution of stressed assets."

These measures were aimed at encouraging banks to be more proactive in NPL resolution as well as improve co-ordination among banks. The RBI could now direct banks to undertake a plan of action for specific assets if it felt that banks were not taking a prudent approach, it added.

### **Credit positive**

"These moves are credit positive for Indian banks," Moody's said.

The ordinance followed a regulatory steps taken by the Centre to address the NPL issue. "The reason for the limited success of the various regulatory measures so far is that they do not address related structural factors."

The current market value of the stressed assets were far lower and he banks will have to take a significant hit when they write-down the value of these assets to market value, according to the report.

## **India's economic growth may slow down, says IMF**

SPECIAL CORRESPONDENT NEW DELHI, MAY 09, 2017

THE  HINDU

### **Government may understate demonetisation effect**

The International Monetary Fund's regional outlook for May has projected a slowdown in India due to a cash crunch caused by demonetisation even as economic growth is expected to remain robust in the Asia and Pacific region compared to the levels projected in the last forecast in October.

The National Accounts Statistics may understate the economic impact of the cash crunch, at least in the near-term, according to the report.

“The recent growth momentum in the largest economies in the region remains particularly strong, reflecting policy stimulus in China and Japan, which in turn is benefitting other economies in Asia,” The IMF’s May 2017 Regional Economic Outlook for Asia and the Pacific said. “More broadly across the region, forward-looking indicators such as the Purchasing Managers’ Index suggest continued strength in activity into early 2017.

### **Currency initiative**

“Growth is revised downward in India due to temporary effects from the currency exchange initiative and in Korea owing to political uncertainty,” it stated.

It added that an analysis by IMF’s staff suggests that, compared to the October 2016 forecasts, cash shortages are likely to slow growth in the financial year 2016-17 by about 4/5ths of a percentage point and financial year 2017-18 growth by about half a percentage point.

“It is likely, however, that National Accounts Statistics, at least in the near-term, may understate the economic impact of the cash crunch,” the report stated.

“Specifically, the impact on the informal economy and cash-based sectors, which are relatively large and have been affected the most by the cash crunch, is likely to be understated because these sectors are either not covered in the official statistics or are proxied by the formal sector activity indicators.”

## **Data may understate cash crunch impact: IMF**

[SPECIAL CORRESPONDENT](#)  
NEW DELHI, MAY 10, 2017

**THE  HINDU**

### **‘Official statistics don’t cover worst-hit informal economy’**

The International Monetary Fund’s latest regional outlook has projected a slowdown in India due to the lingering effects of a cash

crunch caused by demonetisation even as economic growth is expected to remain robust in the Asia and Pacific region compared with the levels forecast in October 2016.

India's national accounts statistics may understate the economic impact of the cash crunch, at least in the near term, according to the IMF's May 2017 Regional Economic Outlook for Asia and the Pacific. |

### **Cash-based sectors**

"Specifically, the impact on the informal economy and cash-based sectors, which are relatively large and have been affected the most by the cash crunch, is likely to be understated because these sectors are either not covered in the official statistics or are proxied by the formal sector activity indicators," it said.

However, these were likely to be short-term impacts and demonetisation was likely to have medium and long-term gains, especially in terms of fiscal gains, increases in bank liquidity, and the push towards cashless transactions and digitisation, the IMF noted.

An analysis by IMF's staff suggested that compared with the October 2016 forecasts, cash shortages were likely to have slowed India's GDP growth in financial year 2016-17 by about 4/5ths of a percentage point and would drag down output by about half a percentage point in fiscal 2017-18.

"The recent growth momentum in the largest economies in the region remains particularly strong, reflecting policy stimulus in China and Japan, which in turn is benefiting other economies in Asia," the IMF observed in the report.

"More broadly across the region, forward-looking indicators such as the Purchasing Managers' Index suggest continued strength in activity into early 2017."

## **Niti Aayog to recommend more PSUs for strategic sale**

Sidhartha & Surojit Gupta | TNN | May 8, 2017

### **THE TIMES OF INDIA**

NEW DELHI: Niti Aayog, the government's thinktank, will soon recommend a fresh set of state-run firms for strategic sale as part of its

overall agenda of reforming the public enterprises sector and raise muchneeded revenues for the government.

"We will soon examine some new cases for strategic disinvestment and send our recommendations to the government," a senior official said. The view within the thinktank is that the government can go below 51% in specific cases. The Cabinet has approved a clutch of companies for strategic sales, including some hotel properties of ITDC, but progress has been slow.

The Narendra Modi government had unveiled the move to resume the strategic sale programme in the 2015 Budget and had said that specific sectors would be kept out of the plan. Strategic sale refers to transfer of management control and ownership.

In its three-year action agenda, which is replacing the Soviet-era five-year plans, the NITI Aayog has called for implementing the road map on closing select loss-making staterun firms and strategic disinvestment of 20 public sector undertakings which have been identified for such sale.

The NITI Aayog had identi fied a clutch of companies among 74-loss making PSUs for closure, while it has decided on strategic disinvestment in some loss-making enterprises.

It has submitted two lists of PSUs with detailed analysis for strategic disinvestment.

## **US firms' untaxed cash more than India's GDP**

Subodh Varma | TNN | May 7, 2017

**THE TIMES OF INDIA**

### **HIGHLIGHTS**

**Over \$2.6 trillion is held as untaxed cash in offshore accounts by top US companies**

**This was revealed by a report by the Washington-based Institute for Tax and Economic Policy**

**This is the highest-ever hoard held offshore by American companies**

Over \$2.6 trillion is held as untaxed cash in offshore accounts by top US companies like Apple, Google, IBM, Pfizer, Pepsi and Coke, McDonald's etc. according to a report by the Washington-based Institute for Tax and Economic Policy (ITEP).

This is the highest-ever hoard held offshore by American companies and represents a net tax loss of a staggering \$767 billion for the US government.

The \$2.6 trillion untaxed funds are more than the combined GDP of 153 countries, four times the US defence budget, and slightly more than the total mandatory spending of \$2.45 trillion on social security , food security , medicare and unemployment by the US government in 2015.

The untaxed treasure hoard is more than India's GDP . According to Richard Phillips of ITEP , this information was dug out from 10-K filings, that is, annual reports filed by companies with the US Securities and Exchange Commission.

Of the 500 top companies in the US, 322 were found to have large offshore holdings.

How is it possible for companies to keep their profits abroad and evade taxes? The answer lies in a well-exploited loophole in the US tax code, says Phillips.

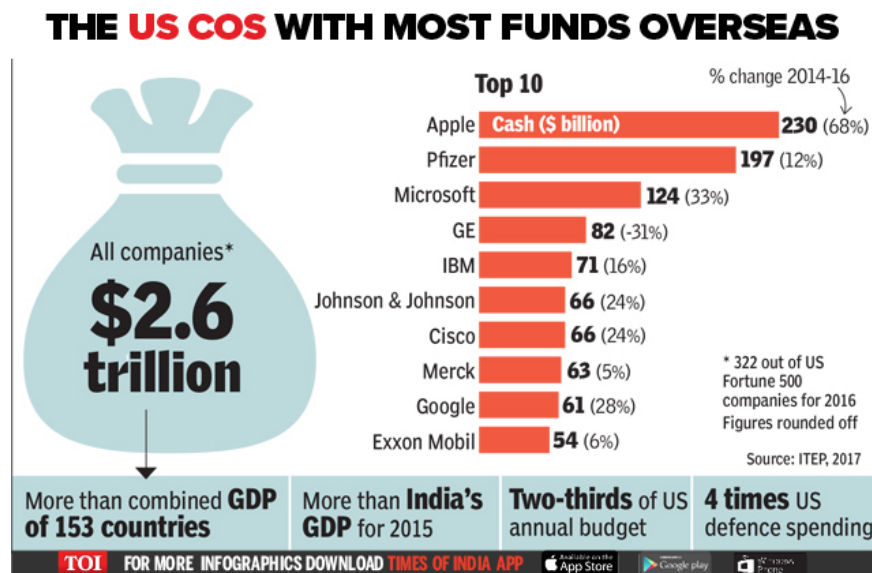
"The US tax code has a provision, known as deferral, which allows companies to pay no additional US taxes on their offshore earnings until that money is repatriated. When it is technically repatriated, the companies have to pay the full US tax rate, minus any foreign taxes they have already paid," he told TOI.

Eyeing this cash, President Donald Trump has proposed an amnesty scheme under which companies can bring back their offshore wealth by paying a one-time 10% tax.

The going rate for corporate taxes in US is 35% and, so, a huge concession is being offered. President George W Bush had granted a similar amnesty in 2004 with a onetime tax rate of 5.25% only . However, it was thought to be a failure with companies hoarding more cash abroad hoping for tax holidays.

Phillips thinks the best policy to end this hoarding of cash would be to require companies to pay US tax immediately on their offshore earnings, rather than allowing them to defer these taxes as under current law.

Without the incentive of tax avoidance, companies would simply stop hoarding their cash offshore, he said.



AIBEA THIS DAY – 14 MAY	
1987	AIBEA Central Committee meets at Patna
1992	6th Bipartite Demands served on IBA and Banks.
2002	Com. Ramesh Chakraborti (91) Founder General Secretary, AIBEA passes away.

AIBEA THIS DAY – 15 MAY	
1918	Veteran leader of UBI and BPBEA Com. Prabhu Ranjan Sen (date of birth)
1987	General Council meets at Patna.



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