AIBEA's Banking News

10 APRIL 2019

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Lakshmi Vilas Bank approves merger with Indiabulls Housing Finance; Employees oppose merger

The shareholders of Lakshmi Vilas Bank (LVB) will get 14 shares of Indiabulls Housing Finance (IBHF) for every 100 equity shares held in the bank.

April 8, 2019 | India Infoline News Service

Lakshmi Vilas Bank in its filing to the exchanges informed that the bank has approved a proposed merger with Indiabulls Housing Finance.

The shareholders of Lakshmi Vilas Bank (LVB) will get 14 shares of Indiabulls Housing Finance (IBHF) for every 100 equity shares held in the bank, the bank said in a filing released after markets hours to the exchanges on Friday.

"Share swap ratio of 0.14:1 [14 shares of IBH will be given for every 100 shares of LVB] has been agreed upon by a respective board of directors," said Indiabulls Housing Finance in its filing to the exchanges on Friday.

Meanwhile, as per media reports, the **All India Bank Employees Association (AIBEA) has opposed the proposed merger** of Lakshmi Vilas Bank with Indiabulls Housing Finance Ltd. The association urged the Reserve Bank of India (RBI) not to give nod for the merger.

The Reserve Bank of India clarified that it has not yet approved a merger of the proposal of Lakshmi Vilas Bank, Indiabulls Housing Finance.

The central bank in a statement on Saturday said, "It is also clarified that presence of additional directors nominated by the RBI on the Board of

LVB (Lakshmi Vilas Bank) does not imply any approval of the RBI of the merger proposal and the directors have no view on the deal.”

Lakshmi Vilas Bank Ltd's share price ended at Rs92.75 on Friday, up by Rs4.4 or 4.98%, from its previous close of Rs88.35 on the BSE. The scrip opened at Rs92.75 and touched a high and low of Rs92.75 and Rs89.40, respectively. A total of, 97,12,883 (NSE+BSE) shares have been traded on the counter. The current market cap of the company is Rs2,967.10cr.

Indiabulls Housing Finance Ltd's share price ended at Rs903.15 on Friday, up by Rs4.8 or 0.53%, from its previous closing of Rs898.35 on the BSE. The scrip opened at Rs908 and touched a high and low of Rs919 and Rs895, respectively. A total of, 1,47,28,164 (NSE+BSE) shares were traded on the counter. The current market cap of the company is Rs38,600.93cr.

SBI sets terms for Jet Airways sale

SPECIAL CORRESPONDENT
MUMBAI, APRIL 08, 2019

Maximum stake on offer is 75% in the cash-strapped airline; last date for receipt of EoI is April 10

State Bank of India (SBI) on Monday invited bids from strategic and financial investors for stake sale in the cash-strapped Jet Airways.

SBI, the lead bank of the consortium of lenders of Jet Airways (India) Ltd., has offered bidders a maximum of 75% stake (8,51,98,037 shares). The minimum stake on offer is 31.2% (3,45,42,383 shares).

SBI Capital Markets Ltd., on behalf of the SBI, has invited expression of interest (EoI) for a change in control and management of Jet Airways. The last date for receipt of EoI is April 10.

Selected bidders are required to submit binding bids by April 30, 2019.

A competitive bidding process would be followed for identification of a suitable investor to acquire ownership of the company on as-is where-is basis.

The winning bidder is expected to settle the obligations of the company in relation to existing bank loan facilities.

EoIs had been invited from individuals, including foreign nationals, trusts, cooperative societies, private limited companies, public limited companies, partnership firms and sole proprietorships. Bidders can be strategic investors (SIs) or financial investors (FIs).

In the event of a bidder not being a consortium, the SI bidder should have a minimum net worth of Rs.1,000 crore in the immediately preceding financial year or have funds available for investment in Indian assets of Rs.1,000 crore or more or a minimum of three years of experience in the commercial aviation business.

If the bidder is an FI, then it should have minimum assets under management of Rs.2,000 crore in the immediately preceding completed financial year or committed funds available for investment in Indian assets of Rs.1,000 crore or more.

A consortium that may bid would consist of not more than three members with shareholding of an individual member not being less than 15%. There must be a lead consortium member to take decisions.

Access to data

After conclusion of the EoI stage and following execution of a non-disclosure agreement (NDA) and payment of bid access fee, the qualified bidders would be provided access to the data room to provide information about the company.

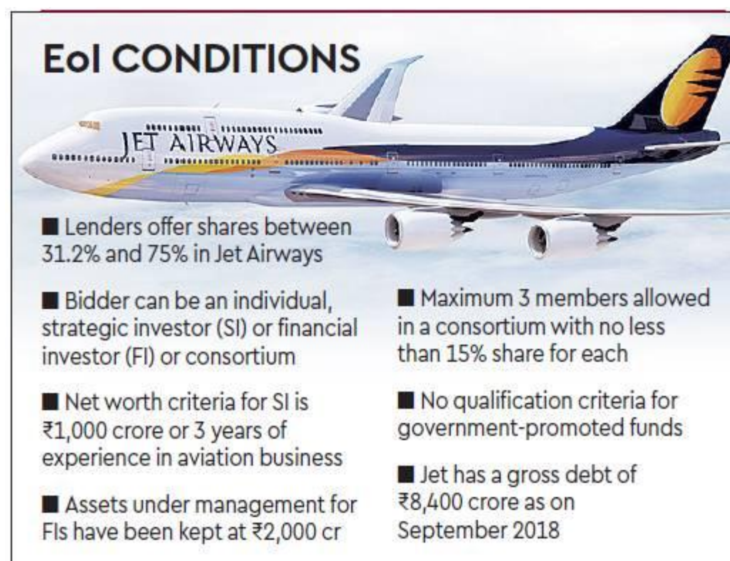
Interested parties are expected to submit a preliminary term sheet providing indicative valuation for 100% equity share capital of the company and settlement of all obligations of the company.

Jet Airways sale: Lenders ease terms to attract buyers

FE Bureau | April 9, 2019

Currently, lenders have with them 31.2% of the equity capital of the airline; these shares were pledged with them by promoter Naresh Goyal

The relatively easy terms on which lenders to the cash-strapped Jet Airways are willing to sell the carrier should attract at least a couple of buyers. While not specifying a floor price, lenders are willing to hand over the airline to a strategic bidder with a minimum net worth of Rs 1,000 crore or even a three-year track record in commercial aviation.



A financial investor should have minimum assets under management of Rs 2,000 crore or must commit to an investment of Rs 1,000 crore. The qualification criteria have been waived for government-promoted funds and quasi sovereign wealth funds. National Investment and Infrastructure Fund (NIIF), India's sovereign wealth fund, is reportedly seeking to invest in the Mumbai-based carrier.

The lenders have put on sale an equity stake of between 31.2% and 75%, according to the expression of interest (EoI) document released on Monday. The carrier, which has accumulated losses of Rs 3,208 crore, commands an

enterprise value of approximately Rs 11,000 crore. The Jet stock closed at Rs 264 on the BSE on Monday, up 3% over Friday's close.

Currently, lenders have with them 31.2% of the equity capital of the airline; these shares were pledged with them by promoter Naresh Goyal.

The conversion of loans into 11.4 crore equity shares — to yield a stake of 50.5% — is pending clarification by Reserve Bank of India(RBI) since this process was initiated under the February 12 circular. The circular was declared ultra vires by the Supreme Court on April 2.

Under the debt resolution plan approved by the Jet board on March 25, lenders will acquire an equity stake in the airline and infuse Rs 1,500-crore. The carrier's founder and promoter Naresh Goyal, as well as his wife Anita Goyal, have stepped down from the board. Foreign Direct Investment (FDI) rules cap the investment by foreign airlines in an Indian carrier at 49%.

State Bank of India (SBI) is the lead lender to Jet, which had a gross debt over Rs 8,400 crore as on September 2018. The full service carrier, which commanded a 16.8% share of the domestic market in February 2018, reported a share of 11.4% for February. While a strategic bidder needs to have a minimum net worth of Rs 1,000 crore or at least three years of experience in the commercial aviation business, a financial investor should have minimum assets under management of Rs 2,000 crore or committed funds that can be invested of Rs 1,000 crore.

A consortium should not comprise more than three members and the shareholding of an individual member should not be less than 15%. Last week, the lenders led by SBI had said other options may be considered if efforts for the stake sale don't produce the desired result. Jet has far grounded 71 aircraft and was operating only 26 till last week. Its employees have not been paid salaries since January and pilots have threatened not to fly if the dues are not cleared by April 14. The lenders consortium, comprising nine public and private sector banks, have sought bids by April 10. Interested bidders can send queries by April 9, the document said.

"Subject to receipt of relevant approvals/consents and Applicable Law, acquisition of at least 3,54,42,383 (three crores fifty four lakhs forty two

thousand three hundred eighty three) equity shares of the Company, comprising of 31.2% (thirty one point two per cent) of equity share capital of the Company, on fully diluted basis and up to a maximum of 8,51,98,037 (eight crores fifty one lakhs ninety eight thousand thirty seven) equity shares of the Company, comprising of 75% (seventy five per cent) equity

SBI invites EoI to sell NPA accounts to recover Rs 423 crore

PTI New Delhi | April 08, 2019

THE HINDU BusinessLine

SBI has invited expression of interest from asset reconstruction companies and financial institutions

e-auction for the NPA accounts - Kamachi Industries and SNS Starch - is scheduled for April 25

SBI has invited expression of interest from asset reconstruction companies and financial institutions to sell two non-performing accounts to recover dues of over Rs 423 crore. The e-auction for the NPA accounts - Kamachi Industries and SNS Starch - is scheduled for April 25, 2019, SBI said in an expression of interest (EoI) invite.

"In terms of the bank's policy on sale of financial assets, in line with the regulatory guidelines, we place these accounts for sale to banks/ ARCs/NBFCs/ FIs," SBI said.

Steel maker Kamachi Industries has an outstanding of Rs 364.80 crore while SNS Starch --which manufactures and exports various grades of starch -- owes Rs 58.87 crore to SBI. The reserve price for sale of Kamachi Industries is fixed at Rs 165 crore and SNS Starch at Rs 36.56 crore.

"The interested banks/ARCs/ NBFCs/ FIs can conduct due diligence of these assets with immediate effect, after submitting EoI and executing a non-disclosure agreement with the bank," SBI said. The sale will be on 100 per cent cash basis, the bank said.

'We want to reduce corporate exposure to 25% in five years'

Manojit SahaAPRIL 07, 2019

THE HINDU

We don't need to raise capital for 3 years, says OBC's managing director

Mukesh Kumar Jain*, MD and CEO, Oriental Bank of Commerce (OBC), talks about the lender's growth plans and strategy in an interaction. OBC had come out of RBI's prompt corrective action (PCA) in January. Edited excerpts:*

Have you seen any improvement in growth after the Reserve Bank of India (RBI) removed OBC from prompt corrective action (PCA)?

Yes. Now we are expecting over 10% growth in loans. Till the end of the third quarter, credit growth was 5.3%. We are extending loans only to highly-rated companies which are AAA or AA, apart from the retail and MSME segments.

OBC saw a sharp decline in net non-performing asset (NPA) ratio in the October-December quarter, that fell to 7.15% as on December 31 from 10.07% in the preceding quarter. Do you think the ratio will be less than 6% by March end? What is the one-year road map for NPA reduction?

Yes. Net NPAs will be below 6% by March 31. Gross NPAs, which were 15.82% in March, will also come down. We also have a healthy provision coverage of 75%. Going ahead, I see net NPA ratio falling below 5% by the end of the financial year 2019-20 and gross NPA ratio will be under 10%.

Have you been able to contain slippages?

In the last two years, our quarterly slippages were in the range of Rs.3,000 crore. But in FY19, the slippages have been contained to below Rs.3,000 crore. In the first quarter, it was Rs.2,800 crore, about Rs.1,450 crore in the second, Rs.1,293 in the third quarter. So, there is a declining

trend even if there was a negative surprise like IL&FS. This trend will continue in the fourth quarter also and FY20 will be better. We are expecting slippages of Rs.1,000 per quarter in FY20.

What is the exposure you have to cases referred to the National Company Law Tribunal (NCLT)?

In the first RBI list, i.e. the 12 cases that were referred to NCLT, our exposure was Rs.3,364 crore where we had 81% provision till December. In the second list, we have an exposure of Rs.2,513 crore and a provision coverage of 91%. Up to December, we have filed 164 accounts [for resolution] in the NCLT, where the amount involved is Rs.15,000 crore. Provision is more than Rs.12,500 crore, which is over 85%.

While we file cases in NCLT, we always try to go in for a one-time settlement with the party. So, we are using NCLT as a pressure tactic. In such cases, we take a relatively lower haircut of about 20%.

What kind of business growth do you see in FY20?

We have made profit in the last two quarters — which has come after seven quarters. Now, we feel we are on the profit trajectory.

Our aim is to have quality growth because the bank has suffered from corporate advances. So, our focus is retail and MSME. We will also extend loans to the mid-corporate segment but only to highly-rated (firms]. So, our growth target is not something big. We are looking at around 10% growth only but the focus is on quality and good margins.

On the deposit side, we are focusing on current and savings account deposits (CASA). We will end up with around 31% CASA [as a proportion of total deposits] this year. We aim to increase it to 35% by March 2020. We are also focusing on digitisation which will also help growth in CASA. Overall deposit growth will be 8%.

What is the share of corporate advances? Are you planning to reduce your dependence on corporate loans?

The share of loans to retail, agriculture and MSME is 52% and corporate advances are 48% of the loan book. Since most of the NPAs came from

the corporate sector in the last few years, we are slowly reducing our exposure to the corporate sector. Our target is to reduce corporate exposure by 500 bps every year. Over a period of five years, we want to reduce our corporate exposure to 25% while in the RAM [retail, agriculture and MSMEs] sector we will have 75% exposure.

What is the capital-raising plan for FY20?

We do not have any need for capital for the next 3 years. We recently raised Rs.250 crore via employee stock purchase scheme. The main reason is that we are expecting good recovery from large corporate accounts. For example, our NPAs in Bhusan Power and Steel is Rs.1,616 crore. When that is resolved, about Rs.850 crore will be added to our profit. This is expected to be resolved in Q2 of FY20. Since recovery will be strong, we will not need to raise capital in the next three years. We will be able to generate capital to fund a growth of 10-12% for the next three years.

No threat to biggies yet but SFBs gathering steam

T.C.A. Sharad Raghavan
APRIL 07, 2019

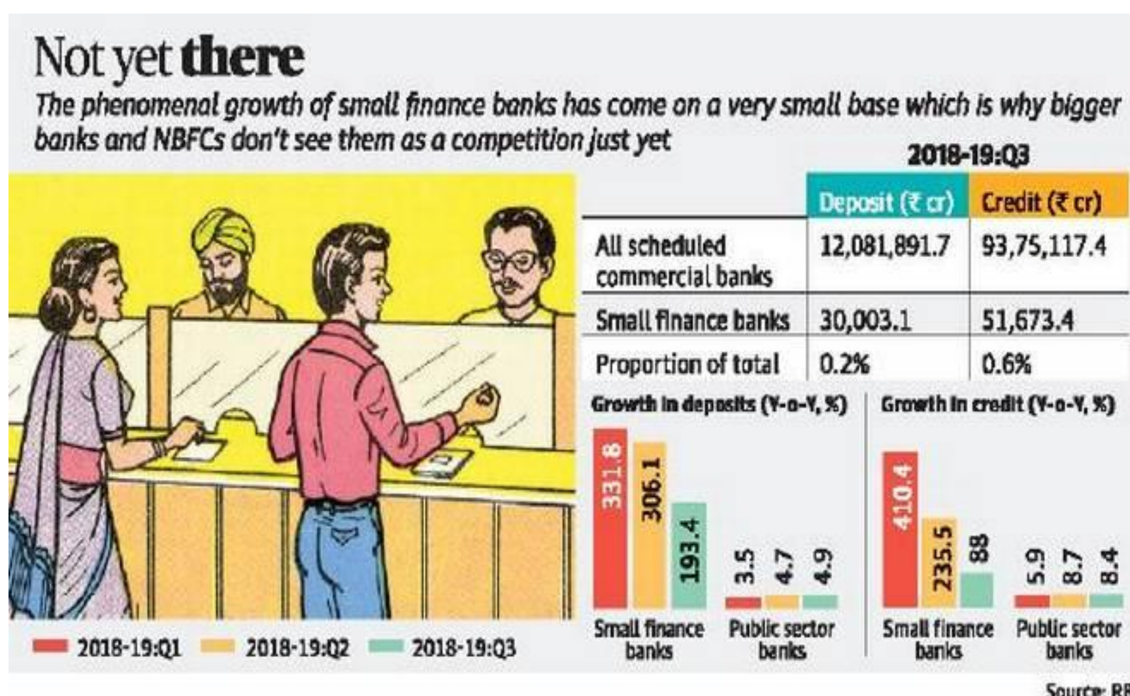
The Rs.30,000-crore deposits held by small finance banks constitute only 0.2% of all scheduled commercial banks' deposits

Although the consensus opinion in the industry is that small finance banks do not pose a threat to either conventional banks or non-banking financial companies (NBFC), the sector has nevertheless been seeing remarkable growth in credit disbursement as well as deposits, albeit on a low base.

Data from the Reserve Bank of India (RBI) show that the small finance banks, in total, saw their deposits grow 31.6% in the third quarter (ended December) of this financial year, compared with the second quarter.

On a year-on-year basis, this growth was 193.4%. The previous quarters saw even faster growth, with Q2 at 306%, Q1 at 331%, and the fourth quarter of the previous year at 387.5% on a year-on-year basis.

This phenomenal growth, however, has come on a very small base and that’s perhaps why the bigger banks and NBFCs don’t see small finance banks as a competition just yet.



2018-19:Q3	Deposit (₹ cr)	Credit (₹ cr)
All scheduled commercial banks	12,081,891.7	93,75,117.4
Small finance banks	30,003.1	51,673.4
Proportion of total	0.2%	0.6%

In context, the Rs.30,000 crore of deposits (as of December end) in small finance banks makes up just 0.2% of the deposits in all scheduled commercial banks.

Similarly, the Rs.51,673 crore of loans, given by these banks, makes up just 0.6% of the total lending undertaken by the scheduled commercial banks. “If you look at the genesis of small finance banks, they have all emerged from being a non-deposit NBFC or micro-lenders,” said Gaurav Anand, co-founder, Namaste Credit, a marketplace for loans.

“They were catering to a segment of the market that was not catered to by regular banks. I don’t think it’s a direct competition, but is complementary.”

The belief is that the overall market for credit is so big that there is no scope for competition yet. Rather, as the market itself grows, the scope for more players to grow also increases.

"Our belief is that the small finance banks are probably not eating into the market share of the NBFCs either," Lucas Bianchi, another co-founder of Namaste Credit, added.

Growing market

"What's largely happening is that the market is growing and there's space for growth for everybody. There are many different segments and not all those segments have been catered to."

This sentiment is echoed by the NBFC players as well, who say that the lack of penetration in the market has meant that there is no phenomenon where small finance banks are eating into the market share of NBFCs.

"Because the market is very large and very under-penetrated, we are not likely to see any pressure from any player in terms of competition in the market," said Sanjay Sharma, managing director, Aye Finance.

"Has the competition changed from three years back to today? I can't say there has been a significant change there either.

"Small finance banks will eventually target the same segments as us, but today they are still trying to come to terms with the setting up the liabilities side of their business, which is the deposits," Mr. Sharma added.

More time to settle

Sanjay Kao, chief business officer, Ujjivan Small Finance Bank, also explained that the industry was still in its infancy, where several players were trying out different models. The overall model followed by the industry would settle only in a couple of years, he said.

"There are two arms to a small finance bank, like in any other bank," Mr. Kao explained. "One is the asset arm, and the other is the liability arm. If you look at all the small finance banks, all of them have been micro-finance institutions (MFI) in the past, so the asset business and asset base, which is the lending side of things, has always been there.

What has happened is that a few more loan verticals have been added.

“On the deposit side, it’s new for all of us, so it must grow,” Mr. Kao added. “It should grow at 120-170%, if not more, depending on the base that each bank operates on. The slowdown in Q3 is, in my mind, due to an increase in the base. If you look at the absolute numbers, I don’t think there has been a slowdown, certainly not in the case of Ujjivan.”

The lending side of small finance banks has also seen strong growth. The RBI data shows that the total lending by small finance banks grew 88% in the third quarter of this financial year, 235% in Q2, 410% in Q1, and 449% in the fourth quarter of the previous financial year.

This, however, is explained by the fact that lending by the public sector banks has been subdued, according to a former Governor of the RBI.

The numbers back this assertion. RBI data shows that credit growth for the public sector banks was 8.4% in Q3, 8.7% in Q2, and 5.9% in Q1.

“If the public sector banks are not lending, then the people have to go somewhere for their loans,” the former Governor said on the condition of anonymity. “The growth in credit for the small finance banks can be answered by this. People are looking for credit and have nowhere else to go.”

Jobs or doles: which is the way forward?

Mahendra Dev & Pronab Sen
APRIL 05, 2019

Governments can provide direct cash transfers while creating conditions for employment

With the Congress promising through the Nyuntam Aay Yojana (NYAY) scheme Rs.6,000 every month to the poorest 20% of households if voted to power, Mahendra Dev and Pronab Sen talk of the importance and problems of direct cash transfers. Providing social protection is important even as governments try to create conditions for income-generating activities, they say in a discussion moderated by **Sharad Raghavan**. ***Excerpts:***

Professor Dev, in the light of unemployment being such a big issue now, should the government that comes to power next double down on employment creation or opt for direct transfers to the people who need it?

Mahendra Dev: Let me start on the employment question. Productive employment is the best way to remove poverty. But the organised sector constitutes only about 10% of the population; unorganised sector employees constitute almost 90%. In that context, unless you create jobs for everybody in the organised sector, the working poor will have problems. People are working, but at low wages. About 50% are self-employed. Unless you create productive jobs, you need to have social protection measures because the poor face many risks — health risks, labour market risks, financial risks.

But whether it is a minimum income guarantee or the Pradhan Mantri Kisan Samman Nidhi Yojna (PM-Kisan), are these the best ways to reach them, or some other programmes like old-age pensions and maternity entitlements? That's the debate. But the need for social protection for the poor is important in the context of risks. And now there is also rural distress. The best way is to create jobs, but for job creation at the higher level, we need to increase more labour-intensive manufacturing, which may take time. So, in that context, giving cash transfers may be right, but how to get resources for the scheme and implement it is another issue.

Dr. Sen, is the way forward to try to increase the number of productive jobs, increase skilling and train people better, or provide them with economic assistance?

Pronab Sen: I think what Mahendra Dev is saying is that the two are not mutually exclusive. We keep talking about governments creating jobs, but the fact is that governments don't of themselves create jobs. The best a government can do is to create conditions whereby private enterprises create jobs. That has to be done, and people must have the expectations of being able to access the jobs. In the interim, when you have people

who cannot get employment, like the old, you do need social protection for them.

And then comes the problem of the working poor, which is the largest chunk of the Indian economy. Do you need to do a top-up is the question. Now, the thing is, the two are related. So long as productivity and the income accruing from jobs don't reach a particular level, a certain amount of help is necessary.

The problem with entitlement sort of programmes, which is what both PM-Kisan and NYAY are, is that they don't create that link. When we think about jobs, we should be very careful in our choice of words. Jobs are when someone else is employing you. What we are really talking about is income-generating activities. That could be a job, it could be self-employment, there is a variety of things that people do.

We have simply gone away from the discussion on how to increase income-creating opportunities for the people at large. Our focus is too much on the formal sector, which, as Mahendra Dev rightly says, employs just 10%. Even if it grows at a very rapid rate, it is not going to make a dent for a while. But we are really not discussing the steps, the measures, the macroeconomic conditions that are necessary to create non-formal jobs which have been the mainstay of income for the bulk of the Indian working class.

Professor Dev, keeping that in mind, would increasing allocations to, say, MGNREGA, which is giving people work and also income, be one way instead of directly giving money to those who can work?

MD: I am an advocate of MGNREGA. Of course, that is for unskilled workers mostly, although some skilled component is there. It is a self-targeted programme also. In the minimum income guarantee scheme, the problem of targeting errors is there. There will be exclusion and inclusion errors in identifying the poor. In MGNREGA, it is mostly self-targeted. The rich may not participate unless they do some corruption with the muster rolls. Otherwise MGNREGA is a good one. But that itself may not be

enough because we have the self-employed poor and the old. That is one of the social protection things...

But also remember that the amount allocated for this minimum income guarantee, Rs.3 lakh crore, comes with opportunity costs. Human development people say, why can't this be spent on health and education instead of on minimum income guarantee? There are opportunity costs to any expenditure, unless the government expands the tax base much more. Otherwise, there is always a trade-off.

Dr. Sen, how does one pay for something like the minimum income guarantee scheme?

PS: Let's be very clear. The scheme is a pure transfer, which is perfectly legitimate in any society that is caring. You take from the rich and you support the poor. There is nothing inherently wrong with that, but the implication is that you are going to have to tax the rich. And if you really look at the discourse we have been having in India over the last 25 years, it has mainly been focused on how to increase profitability of Indian enterprises and persuade them to invest and create jobs. Now that part of the narrative continues to be valid if you're talking about creating jobs. But in a context where you need to tax the rich and get much more out of them, some of this narrative is going to have to change. For instance, we have sequentially been lowering the corporate tax rate. This government has already announced that it wishes to bring the corporate tax rate to 24%. It's been done for one category of companies but has not been fully extended yet. All of those are actually leading to reduction in the amount you are taxing the rich, which becomes a problem for you to fund this sort of a programme.

The other way you can do it is to remove a whole bunch of government activities. But anybody who has taken a long, hard look at the government's budgets knows that there are very few items of expenditure which you can legitimately question as being unnecessary. So, there is a problem, and the problem now is that if the discourse now says, we are going to do this, we are going to tax the rich, what effect it has on the

larger macroeconomic picture then becomes an issue that we need to debate.

Professor Dev, the thing with directly giving people money is that you are in essence just increasing their consumption expenditure, but the revenue earned by the government from them is more or less the same. Yes, there is some increase in indirect tax collections, but direct tax collections remain the same, whereas the consumption expenditure goes up. Is that a sustainable way? How do you mitigate that?

MD: As Pronab said, we are not against the concept of minimum income guarantee. But how we do that is important. If the consumption expenditure increases, the demand for industrial goods, many durable or non-durable goods will increase. So that may have some taxes for the government. But how do you raise Rs.3 lakh crore is an important issue. There are implications, as Pronab mentioned, like taxing the corporate sector. So, one has to see how to raise the resources. Can you reduce the so-called non-merit subsidies or concessions to the corporate sector in the Budget? These are issues one has to see, apart from how to identify the poor and implement the scheme.

Dr. Sen, if the government does manage to raise this quantum of resources, would direct transfers be the best way for it to utilise this extra resource?

PS: I think this is where Mahendra Dev and I completely agree. The problem with the direct transfer mechanism is that there is an inherent assumption which has not been discussed, that is, the poor always remain poor. This is not necessarily the case. We are in a fairly dynamic economy and a person or household that was poor three years ago or five years ago may no longer be poor because their children have started working, they are earning better. The direct income transfer that is being talked about now is inherently non-dynamic. It’s very difficult to drop people who have been receiving these funds.

On the other hand, MGNREGA is dynamic. That is, as people move into poverty, they will access MGNREGA because, as Mahendra Dev rightly said, it is self-targeting. People who are moving out of poverty will stop going to MGNREGA work sites. So, the ideal combination would be to have MGNREGA as a safety net and to have direct transfers to those who, for whatever reason — physical, age, gender — are unable to access the work market. It's a combination of social protection and a social safety net.

Professor Dev, Dr. Sen had mentioned that the corporate tax rate has been lowered and it could possibly be increased. Do you feel this is the case for personal income tax as well? There was a calculation that increasing the tax rate for people earning more than Rs.2.5 crore a year by 2 percentage points would pay for this scheme. Is something like that feasible?

MD: I don't know the implications for the economy of increasing the tax rate for the ultra-rich. Economist Thomas Piketty talks of a wealth tax. One has to see the implications and how much you get and those kinds of things. One has to think much more about resource mobilisation and how to mobilise this Rs.3 lakh crore and also continuously map the dynamic poor. For example, the Socio-Economic and Caste Census (SECC) is of 2011. From that data, one can identify the poor, but what we had in 2011 could be quite different in 2019.

Dr. Sen, how then do we increase targeting? Do we need to increase the frequency of surveys such as the SECC or is there some other form of targeting we can use?

PS: There are other forms of targeting. It could be on the basis of readily verifiable parameters such as age, physical disability, being an orphan. There are ways of targeting without going into the issue of poverty itself. So that what you are targeting is the inability to work and you focus on the growth process and for social safety nets like MGNREGA to take care of those who are able to work.

IOB hopes to come out of Reserve Bank's PCA

SPECIAL CORRESPONDENT
CHENNAI, MARCH 29, 2019
THE HINDU

Lender on the turnaround path: CEO

Public sector Indian Overseas Bank (IOB) is hopeful of a good performance this financial year and come out of the Prompt Corrective Action (PCA) framework of the Reserve Bank of India, said a top official.

"We are working towards this goal and will be achieving it soon," said R. Subramaniakumar, MD and CEO, IOB. "Last month, we bagged excellence awards for financial inclusion and digitisation," he said.

"There were visible improvements in the third quarter and this will follow in the fourth quarter, too. More information can be shared during the Q4 results," he said. On Thursday, IOB shareholders approved a special resolution granting permission to the board to issue 269.54 crore shares at an issue price of Rs.14.12 a share on a preferential basis to the Centre for the capital infusion of Rs.3,806 crore received in February.

"After the infusion of funds, the government holding will increase to 92.52% from 89.39%," he said. "The funds will be used for strengthening lending to RAM (retail, agriculture, MSME) sector against corporate sector lending," he added. Two years back, IOB's exposure to RAM was 44% and now, it will increase to 66%," he said.

Asked about the bank's performance, Mr. Subramaniakumar said IOB was working towards reducing non-performing assets and improving return on assets.

Taxman to go after 65,000 non-filers for 2016-17

Shishir Sinha New Delhi | April 08, 2019

THE HINDU BusinessLine

The Income Tax Department will initiate recovery of tax along with penalty from approximately 65,000 assessees who deposited Rs.10 lakh or more in their bank account during demonetisation, but did not file return for the assessment year 2017-18 (financial year 2016-17).

These 65,000 plus are part of nearly 3 lakh non-filers with large deposit. After getting notice from the tax department, nearly 2.1 lakh filed their return by March 31, 2018, while other nearly 25,000 only responded after that.

According to a senior Finance Ministry official, tax authorities used its means to approach remaining 65,000 non-filers. "Even notices pasted on the wall of premises of last available address, but there is no response yet. Meanwhile, based on past record, tax officials completed assessment of these assessees and now process to be initiated for recovery," he said.

The process of recovery

He explained that the process of recovery can be distributed in two parts. First part will involve concerned Assessing Officers and he/she will make effort to recover tax due along with penalty. If there is no success within a year, part two of the process will start, and task to recovery will be passed on to Tax Recovery officer (TRO). TRO will first serve a notice to the defaulter requiring him/her to pay the amount specified in the certificate within 15 days from the date of service of the notice and intimating that in default steps would be taken to realise the amount.

If the amount mentioned in the notice is not paid within the time specified therein or extended time, if given, then TRO will proceed to realise the amount by one or more of the following modes - by attachment and sale of the defaulter's movable property, by attachment and sale of the defaulter's immovable property, by arrest of the defaulter and his detention in prison or by appointing a receiver for the management of the defaulter's movable and immovable properties.

The official said that even at a basic system of tax dues and penalty and assuming deposit of Rs.10 lakh, average amount recoverable could be Rs.6.5 lakh per tax payer (tax at the rate of 30 per cent plus cess at 4

per cent and 100 per cent penalty). It may be noted that an attempt to reduce tax liability through under-reporting or misreporting of Income will invite penalty under Section 270A (1).

Penalty amount equals to 50 per cent of income that is underreported or tax payable. In case of deliberate under-reporting, the penalty could go up to 200 per cent of underreported or tax payable income. Similarly, for concealing of Income or furnishing inaccurate details penalty under Section 271(1)(c), amounting to 100 per cent to 300 per cent of the tax evaded or meant to be evaded additionally to the tax payable.

Earlier, last month, the Central Board of Direct Taxes came out with a Standard Operating Procedure (SOP) to deal with non-filers. The most important feature of the SOP is the use of 'best judgment assessment.' Related provision in the Act prescribes that if any person fails to comply with all the terms of a notice issued under Section 142 (1)1, the Assessing Officer shall after giving the assessee an opportunity of being heard, make the assessment of total income or loss to the best of his judgment.

David Malpass named World Bank President

Reuters Washington | April 06, 2019

The US Treasury's undersecretary for international affairs, will start his new role on April 9

David Malpass, US President Donald Trump's nominee to lead the World Bank, won unanimous approval from the institution's executive board on Friday, continuing the 73-year tradition of an American running the world's largest development lender.

The bank said that Malpass, the US Treasury's undersecretary for international affairs, will start his new role on Tuesday as the World Bank and International Monetary Fund Spring Meetings get underway.

Malpass, a former Bear Stearns and Co chief economist who advised Trump's 2016 election campaign, was the sole candidate. Previous World Bank President Jim Yong Kim, who left in January to join a private infrastructure fund, faced two challengers, from Nigeria and Colombia, in 2012 when he was first selected.

This time around, bank board members had said there was little appetite for a challenge to a US candidate from developed economies such as Europe and Japan, and from larger emerging markets such as China and Brazil.

In a phone interview with Reuters, Malpass said he would uphold the bank's commitment to reducing poverty in the poorest countries and to fight climate change, and pursue goals stated in a $13 billion capital increase last year. In an email to World Bank employees, Malpass emphasized the need to fight extreme poverty and "foster broad based growth for each and every borrower, and a stronger, more stable global economy for all."

Since taking his job at the Treasury in 2017, Malpass had been critical of the World Bank's continued lending to China, arguing that the world's second-largest economy was too wealthy for such aid while it was loading up some countries with unsustainable debt from its Belt and Road infrastructure program.

Those comments and Malpass' role in US-China trade negotiations caused some concern in the development community that he might try to use the bank's influence to put pressure on China.

But Malpass told ***Reuters*** that he foresees an "evolution" of the bank's relationship with China "toward one which recognizes China as the world's second-biggest economy and an important factor in global development. I expect there to be a strong relationship collaboration with China. We have a shared mission of poverty alleviation and reduction."

Malpass said he did not participate in this week's U.S.-China trade talks and is winding down his role at the Treasury. He said he intends to make his first trip as World Bank president in late April to Africa. World Bank

Chief Executive Officer Kristalina Georgieva will attend China's second Belt and Road Forum on April 26-27, not Malpass.

India highest recipient of remittances at USD 79 billion in 2018: World Bank

PTI | April 9, 2019

India was followed by China (USD 67 billion), Mexico (USD 36 billion), the Philippines (USD 34 billion), and Egypt (USD 29 billion), the global lender said.

India retained its position as the world's top recipient of remittances with its diaspora sending a whopping USD 79 billion back home in 2018, the World Bank said in a report Monday. India was followed by China (USD 67 billion), Mexico (USD 36 billion), the Philippines (USD 34 billion), and Egypt (USD 29 billion), the global lender said. With this, India has retained its top spot on remittances, according to the latest edition of the World Bank's Migration and Development Brief. Over the last three years, India has registered a significant flow of remittances from USD 62.7 billion in 2016 to USD 65.3 billion 2017.

"Remittances grew by more than 14 percent in India, where a flooding disaster in Kerala likely boosted the financial help that migrants sent to families," the Bank said. In Pakistan, remittance growth was moderate (seven per cent), due to significant declines in inflows from Saudi Arabia, its largest remittance source. In Bangladesh, remittances showed a brisk uptick in 2018 (15 per cent).

According to the report, remittances to low-and middle-income countries reached a record high of USD 529 billion in 2018, an increase of 9.6 per cent over the previous record high of USD 483 billion in 2017. Global remittances, which include flows to high-income countries, reached USD 689 billion in 2018, up from USD 633 billion in 2017, it said. The Bank said, remittances to South Asia grew 12 per cent to USD 131 billion in 2018, outpacing the six per cent growth in 2017. "The upsurge was driven by stronger economic

conditions in the United States and a pick-up in oil prices, which had a positive impact on outward remittances from some GCC countries," it said.

The Gulf Cooperation Council (GCC) is a regional inter-governmental political and economic bloc of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. However, the Bank in its report rued that the global average cost of sending USD 200 remained high, at around seven per cent in the first quarter of 2019. Reducing remittance costs to three per cent by 2030 is a global target under Sustainable Development Goal (SDG) 10.7. Remittance costs across many African corridors and small islands in the Pacific remain above 10 per cent.

On ways to lower remittance costs, Dilip Ratha, lead author of the Brief and head of KNOMAD, said, "Remittances are on track to become the largest source of external financing in developing countries. The high costs of money transfers reduce the benefits of migration. Renegotiating exclusive partnerships and letting new players operate through national post offices, banks, and telecommunications companies will increase competition and lower remittance prices."

I-T finds Rs 12 lakh crore mismatch in ITRs declared in FY 2016

Sumit Jha | April 9, 2019

A big reason for not being able to catch such tax evasion is due to the fact that the government has not, so far, implemented the invoice-matching feature of GST

The indirect tax department has detected a mismatch of Rs 12 lakh crore between the income declared in income-tax returns (ITR) on account of services and the value of these services declared in the corresponding service tax details in FY16. The mismatch amount is nearly six times the service tax collected in the fiscal.

A similar exercise is under way for FY17 as well. It is believed this is also a reason for the shortfall in goods and services tax (GST) collections in FY18

and FY19. While the government had projected Rs 13.4 lakh crore of GST collections in FY19, it could collect only Rs 11.8 lakh crore.

A big reason for not being able to catch such tax evasion is due to the fact that the government has not, so far, implemented the invoice-matching feature of GST.

The Central Board of Indirect Taxes and Customs (CBIC) has directed zonal heads in the department to probe the anomaly. CBIC collected ITR data from the direct tax department to analyse possible leakages in the service tax regime, which was subsumed under GST in FY17-18. It has also finished an a similar analysis for FY16-17, and has sent the reports to respective zones.

The difference in declared amounts were detected on the basis of permanent account number of ITR filers. CBIC said some PANs from ITRs were not registered in the service tax assessee registry while many registered ones hadn't filed service tax returns. "In some cases there is simply a value mismatch between the turnover declared in the ITR and the service tax returns," the chairman said in a letter to field formations.

Admitting that the mismatched amount thrown by the analysis was surprisingly large, a revenue official said one possibility was that ITR forms earlier didn't have detailed fields for reporting indirect tax details. This was tweaked by the government last year when it included mandatory fields for detailed GST-related information. This would make the exercise for the GST period a more accurate.

Another reason, the CBIC chairman said was the possibility of missing service tax returns, as well as the possibility that services that are exempt from tax were not being declared in the service tax returns. "However, you would agree that the sheer magnitude of the mismatch is a pointer to the possibility of revenue leakage which cannot be ignored," the chairman said.