

# 14ECONOMY

SBI CHAIRMAN SAYS THERE IS NEED FOR STIMULUS IN THE ECONOMY

## PSU banks kick off nationwide exercise to boost credit demand across sectors

ENSECONOMICBUREAU  
MUMBAI, AUGUST 18

WITH CREDIT demand remaining subdued, public sector undertaking (PSU) banks Sunday began a major initiative to identify and finalise ways and means to increase credit to various sectors of the economy, enhance use of technology to bring about innovation and enable big data analytics.

State Bank of India (SBI) conducted a discussion session including branches within the jurisdiction of all 524 regional offices to generate ideas and review the bank's performance aligned with national priorities. In Mumbai, at the bank's Regional Business Office, the discussion session was attended by Aritj Basu, MD (Corporate Client Group and IT), SBI, and other senior officials.

SBI chairman Rajnish Kumar said credit demand remains subdued and there is a need for stimulus in the economy. Though lack of credit demand exists in the economy, there is no supply-side constraint as the PSU banks are more or less well-capitalised, he further said. "Demand for credit

EXPLAINED

### E Banks' delay in cutting rates remains a concern

THE MEETING comes at a time when credit demand remains subdued and banks have been facing the charge of not passing on the full extent of the easing of the policy rates.

The RBI had cut the repo rate by 75 basis points between February and June, but banks have reduced their interest rates on fresh rupee loans by 29 basis points.

in the economy is subdued. There is a need for stimulus in the economy," Kumar said in Kolkata after attending the multi-level consultation programme with branch managers of SBI in the region.

"There is no supply-side constraint. More or less, the public sector banks are well-capitalised and bank rates also moderated."

The Department of Financial Services initiated the multi-level consultation process in all PSU banks even as the government proposed measures measures to boost lending to revive the economy which is facing a slowdown.

"SBI collectively identified many implementable and innovative suggestions which can help to improve bank's performance and establish future roadmap," said another official. These suggestions were collated and sent to the regional/zonal level for further discussions at the state level bankers' committee, along with comparative performance assessment of the branches under each region, the public sector bank said.

SBI has decided to later take final consultation at the national level to compare both intra- and inter-bank performances and fi-

nalise suggestions about the way ahead for implementation across PSU banks. "The consultative process has resulted in a renewed sense of involvement and purposes down to the branch level and the bank is geared towards implementing the roadmap for the further, improve its performance and align itself to national priorities so that it may fulfill its mandate of partnering the Indian growth story," SBI said.

According to Indian Bank, which held the review meeting in Mumbai, the discussions ranged from area specific issues affecting the growth of business of branches, opportunities and growth potential available, requirements of customers, and improving digitalisation.

"Detailed discussions were held on bank lending to MSME sector including lending under Stand Up India, Mudra loans, PSB loans. Other areas like retail lending, digital transaction for both convenience and outreach were touched upon," the bank said.

Bank of India (BoI) said its branches were engaged in self-assessment, deliberated on the issues and evolved ideas on future

strategy. The idea is to make banking citizen-centric as well as more responsive to the needs and aspiration of senior citizens, farmers, small industrialists, entrepreneurs, youth, students and women, it said. AK Das, executive director, BoI said, "Several topical themes were discussed during the meet with a view to chart out specific roadmap for PSU banks."

Though the Reserve Bank of India had cut the repo rate by 75 basis points between February and June, banks have reduced their interest rates on fresh rupee loans by 29 basis points so far (February-June 2019).

"Our interactions with various stakeholders, including both public sector and private sector banks, indicate that steps are being taken by them on an ongoing basis to progressively lower their interest rates so that the benefits of the policy rate reductions are passed on to the economy. Accordingly, we expect higher transmission of monetary policy actions and stance by the banks in the weeks and months ahead," RBI Governor Shaktikanta Das had said while unveiling the monetary policy earlier this month.

INTERVIEW WITH CHAIRMAN, PM'S ECONOMIC ADVISORY COUNCIL

## ‘The key question is: are we on a trend economic growth rate of 6% or 7%’

THE INDIAN economy is slowing down. People are pruning their expenses even on non-discretionary items, let alone automobiles and homes. In an interview to *The Indian Express*, BIBEK DEBROY, chairman, Prime Minister's Economic Advisory Council, says the government can increase efficiency of overall government expenditure (both states and the Centre), cut direct tax rates, and harmonise Goods and Services Tax rates, to spur growth. Also, he adds, it will be good not to expand the fisc or extend sectoral incentives as many are demanding now.



Express File Photo

**“... we should not have any sector-specific interventions. These will create distortions. Fiscal concessions to specific sectors will complicate the tax story even further”**

**BIBEK DEBROY**  
CHAIRMAN, PRIME MINISTER'S ECONOMIC ADVISORY COUNCIL

these reforms are necessary. But the national government in Delhi has limited degree of freedom for pushing those reforms.

**But given the slowdown, what best can the government do to get the most out of its expenditure?**

Let's look at government expenditure — here, there are limits to public expenditure, because there are fiscal consolidation issues. The Union government is fiscally constrained, because of Fourteenth Finance Commission recommendations and has to spend on defence, railways. However, there is a package of central sector and centrally sponsored schemes (CSS). In central sector schemes, there is 100 per cent funding by the government. But there are too many Central sector and CSS. The Shivraj Chouhan Committee had ostensibly collapsed these into 28 schemes, and they come to an end in March 2020, since they are co-terminus with Fourteenth Finance Commission.

The centrally sponsored Schemes are outside the mandate of Fifteenth Finance Commission. Yes, you can rationalise these schemes, have a small set, which increase the efficiency of public expenditure.

Here, let me digress and point to the phenomenal success of the GST Council as a decision-making body. This was about indirect taxes.

Time has now come for a similar body on public expenditure to do exactly what the GST Council did for taxes. This body should decide about what should be public expenditure. Every state wants more money.

Taking an extreme point to illustrate my point, let us ask a question — whether health is important? Should there be a Union government scheme for health? But health is a state subject. So, if we think health is important and we want the Union government to spend on health, by the same token, the state

government should pay for defence. After all, I have got limitation in terms of resources available for public expenditure, I need to prioritise. That prioritisation cannot be done by the Union government alone, but also by states.

**What about GST itself?**

I think a lot can be done on GST also. Essentially, it has to be done by the GST Council. But to a large extent, the Union Finance Ministry can navigate what happens on GST. The issue is pretty simple: that we need to streamline and harmonise rates. As an economist, I would argue, there should be a single GST rate.

In practice, it is impossible. No country in the world has a single GST rate. From a pragmatic point of view, we must have three GST rates. For illustrative purposes, say 6 per cent, 12 per cent and 18 per cent. Everyone wants the 24 per cent to come down to 18 per cent, but no one wants the items under 0 per cent to come under 6 per cent.

**And is there scope for a cut in direct tax rates?**

The task force on Direct Taxes was supposed to submit its report by August 15. The direct tax rate can be reduced significantly. The only way to reform direct taxes is to eliminate exemptions for both personal and corporate taxes.

Land, labour, will take 4-5 years to yield payoffs. In rural India, enormous changes have been brought about by providing them electricity, LPG ... now these yield productivity benefits that are difficult to quantify ... in the long run.

However, if I am talking about what the Union government can do, is tax, expenditure, and monetisation of assets, particularly land assets of public sector enterprises. It's important from the point of view of privatisation. These too will take time to yield benefits. It will take a year to reap benefits.

### BRIEFLY

#### IBC: Small borrowers may get waivers

*New Delhi:* The government plans to give debt waiver for “small distressed borrowers” under the insolvency law framework, according to a senior official. The proposed waiver would be offered as part of ‘Fresh Start’ provisions under the Insolvency and Bankruptcy Code (IBC). Corporate Affairs Secretary Injeti Srinivas said discussions have been held with the microfinance industry regarding criteria for the proposed waiver for small distressed borrowers from the economically weaker section (EWS).

#### Applications invited for top posts in 2 PSBs

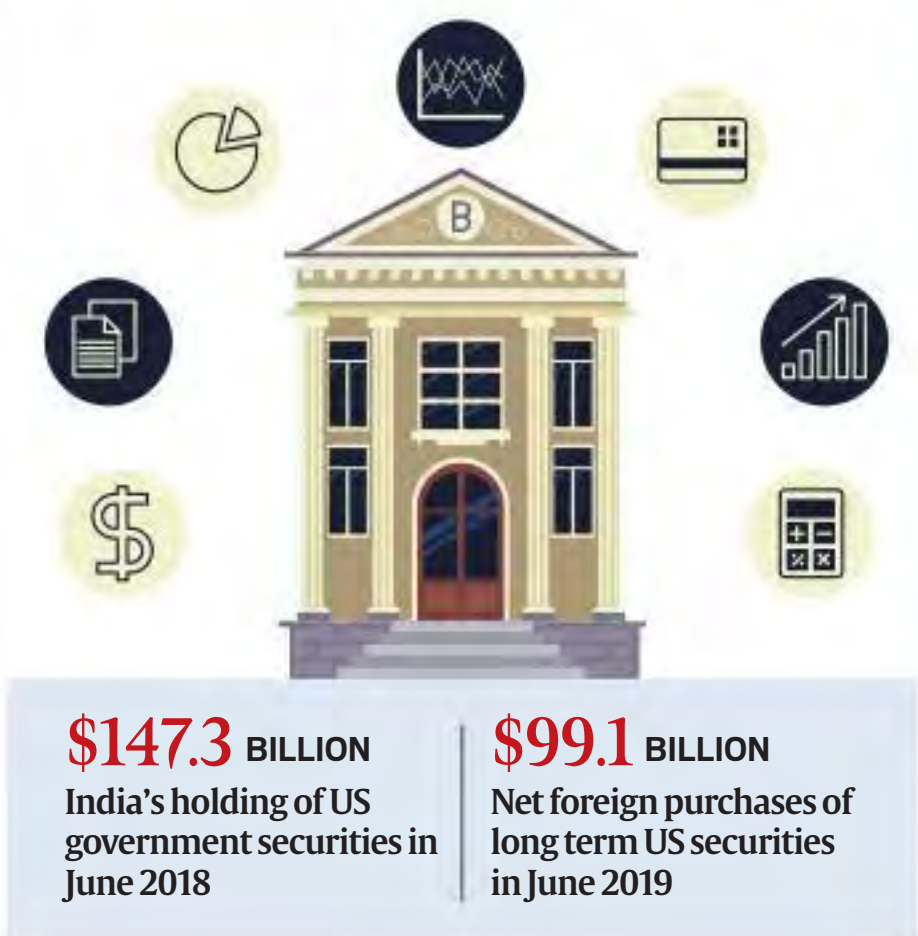
*New Delhi:* The Banks Board Bureau (BBB) has invited applications for the post of Managing Director and Chief Executive Officer (MD and CEO) in two major public sector banks, Punjab National Bank and Bank of India. The post of MD and CEO in PNB will fall vacant after incumbent Sunil Mehta superannuates on September 30. The post in Bank of India is lying vacant since July 1 after Dinbandhu Mohapatra retired. The top post in another major state-run lender Bank of Baroda will fall vacant in October when the extended term of the bank's CEO and MD P S Jaikumar will end. **PTI**

## India's holding of US govt securities at \$162.7 bn

India's exposure to the US government securities rose by nearly \$6 billion to \$162.7 billion at the end of June, the highest level in at least one year, as per latest data from the US Treasury Department

#### TOP HOLDERS OF AMERICAN GOVERNMENT SECURITIES:

- Japan: \$1.122 trillion
- Mainland China: \$1.112 trillion
- UK: \$341.1 billion
- Brazil: \$311.7 billion
- Ireland: \$262.1 billion
- Switzerland: \$232.9 billion
- Luxembourg: \$231 billion
- Cayman Islands: \$226.6 billion
- Hong Kong: \$215.6 billion
- Belgium: \$203.6 billion
- Saudi Arabia: \$179.6 billion
- Taiwan: \$175.1 billion
- India: \$167.2 billion



#### FACTORS THAT LED TO RISE IN INDIA'S EXPOSURE:

- Global economy grappling with multiple headwinds
- Trade war between US and China
- Slowdown in some emerging markets

#### INDIA'S EXPOSURE IN PREVIOUS MONTHS:

**\$156.9**  
BILLION IN MAY

**\$155.3**  
BILLION IN APRIL

## Health Ministry suspends CDSCO official arrested by CBI over ‘corruption’ charge

ENSECONOMICBUREAU  
NEW DELHI, AUGUST 18

THE HEALTH Ministry has suspended an official of India's apex drug regulatory body, following his arrest by the Central Bureau of Investigation (CBI) earlier this week on charges of corruption, it said in a statement on Sunday.

The regulatory body, the Central Drugs Standard Control Organisation (CDSCO), has a “zero tolerance” policy towards corruption and is “committed to act stringently” against such acts, the Ministry said.

“As informed by CBI, Dr. Naresh Sharma, Dy. Drug Controller (I), CDSCO (Hq), New Delhi has been trapped and taken in custody by them on 16.08.2019 and legal investigation ... has been initiated,” it stated, adding the official has been suspended “with immediate effect”.

According to his profile on a professional networking website, Sharma joined CDSCO in November 2006 after over five years in Dabur Research Foundation. Between 2000 and 2001, he was in a research and development role at Cadila Pharmaceuticals. He has also

worked in R&D roles at two other pharma companies — JK Drugs and Pharmaceuticals and Paam Pharma.

The specific details surrounding Sharma's arrest are unclear. CBI, in a release on August 16, had also said it arrested another CDSCO official — a Himachal Pradesh drug inspector — and four executives of an Amritsar or New Delhi-based pharma company in a Rs 1 lakh bribery case.

“It was alleged that transaction of bribe money would take place between the accused persons including Drug Inspector, CDSCO, Baddi, Solan (Himachal

Pradesh); Managing Director of Amritsar-based private persons and others,” stated the release.

“It was further alleged that the public servant demanded a bribe of Rs. 1 lakh in lieu of closure of file related to the said private firm and favourable action as the samples of dobutamine injection manufactured/ processed by the said firm were collected by CDSCO for testing and the said samples got failed during testing,” the release added.

The CBI said it “caught” the inspector accepting the bribe and that, later on, the firm's executives were also arrested.

COMPANIES, DEALERS LOOK TO CLEAR STOCK BEFORE BS-VI EMISSION NORMS KICK IN

## Car sales hit rock bottom, discounts at all-time high

PRITISH RAJ  
NEW DELHI, AUGUST 18

AUTO SALES are at their lowest levels in nearly two decades and dealers are saddled with huge inventory. To push sales in such an environment and clear the network, manufacturers are offering huge discounts on several models to drive home the message that if one plans to purchase a vehicle, now is the best time.

To be sure, if consumers are waiting to see whether the government cuts Goods and Services Tax (GST) on automobile products — as the industry is demanding — to fuel demand, the prices are not going to be much different than what one's getting by way of discounts.

Companies FE spoke to said in case of any GST cut, the reduction in prices will be passed onto

the consumers but the discounts will be curtailed, so net-net, the consumers won't benefit much if they buy now at discounts being offered. Yes, a reduction in GST would improve the realisations for the manufacturers which will not be the case in offering huge discounts.

The companies and dealers are in a way pushed against the wall currently. They need to exhaust the inventory, as six months from now BS-VI emission norms would kick in.

As a result, after March 31, 2020, manufacturers would not be able to sell the current BS-IV compliant vehicles, which would mean that the stocks, if left unsold, will become scrap.

Dealer checks shows that discounts on cars by Maruti Suzuki (MSI), Hyundai and Honda Cars have touched an all-time high currently.

For instance, MSI is offering an upfront cash discount of Rs 50,000 on its popular model Dzire. Taking into account other benefits such as exchange bonus, free insurance and accessories, the benefits go up to Rs 70,000. The compact sedan, petrol variants of which comes with a starting price of Rs 5.9 lakh (ex-showroom), is now available at several dealerships with an ex-showroom price of Rs 5.30 lakh. Discounts on the diesel variants are higher by around Rs 20,000 compared to their petrol counterparts.

The diesel variant of Maruti's compact hatchback Swift, one of the highest selling model, is being sold at a discount of around Rs 43,000 with total benefits going up to Rs 68,000.

Swift is now available at a starting price of Rs 6.5 lakh (ex-showroom), which before dis-

count had a starting price of Rs 7 lakh. Other models such as Baleno and Vitara Brezza are also being sold at a discounts in the range of Rs 40,000-Rs 60,000.

Typically, a dealer operates on a margin of three-six per cent. By sacrificing part of their margins, dealers are offering discounts, in addition to that given by the original equipment manufacturers (OEMs), resulting in increase in the net discounted amount.

Hyundai is offering cash benefits of about Rs 60,000 in its hatchback i10 and compact sedan Xcent, in addition to other benefits of up to Rs 35,000. After the discount, the base trims of the vehicles are available at Rs 4.35 lakh and Rs 5.15 lakh (ex-showroom). The company is also offering highest discount of Rs 1.2 lakh on its executive sedan Elantra. **FE**

### ‘No Production Days’ at Hyundai unit

*Chennai:* Auto major Hyundai Motor India Ltd (HMITL) has come out with no production days this month at its Sriperumbudur facility near here, in view of the prevailing market conditions.

As per the announcement made on August 9 at the plant, Hyundai said, “due to prevailing market conditions, there will be no production in passenger cars, powertrain system and related support departments”. As a result, there was no production on August 10 and 12 at the body shop, paint shop, assembly shop. **PTI**