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Market Watch

FPIs pull out ₹8,319 cr in Aug

New Delhi: Foreign investors pulled out Rs 8,319 crore on a net basis from capital markets in the first half of August, continuing their selling spree in the Indian market amid uncertainty over foreign portfolio investors (FPI) tax and global trade worries. PTI

SBI CHAIRMAN SAYS THERE IS NEED FOR STIMULUS IN THE ECONOMY

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

ENSECONOMIC BUREAU MUMBAI, AUGUST 18

WITH CREDIT demand remaining subdued, public sector undertak-

ing (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) con-

ducted 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 Arjit 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

BRIEFLY

borrowers may

New Delhi: The government

plans to give debt waiver for

"small distressed borrow-

ers" under the insolvency

law framework, according to

a senior official. The pro-

posed waiver would be of-

fered 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 in-

dustry 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 ap-

plications for the post of

Managing Director and

Chief Executive Officer (MD

and CEO) in two major pub-

lic 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 PS

Jaikumar will end. PTI

IBC: Small

get waivers

EXPLAINED 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 reporate 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 assess-

ment 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

FACTORS THAT LED

TO RISE IN INDIA'S

Global economy

multiple headwinds

Trade war between

Slowdown in some

INDIA'S EXPOSURE

emerging markets

EXPOSURE:

grappling with

US and China

IN PREVIOUS

BILLION IN MAY

MONTHS:

\$156.9

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.

Some economists have argued for counter cyclical policies. Would you agree with them — spending more during a slowdown?

If I just look at it from an academic point of view, I'd probably say, yes. But looking at the past, the moment you open the tap, there is no controlling it. I will widen the deficit for capex, but control revenue exp. Eventually, we will bear the cost later on.

There have been demands for sectoral incentives, the latest being for the automobile industry.

In my personal opinion, we should not have any sector-specific interventions. These will create distortions. Fiscal concessions to specific sectors will complicate the tax story even further.

In the last quarter of 2018-19, the economy clocked less than 6 per cent. Is the trend growth rate shifting down?

There are questions whether the slowdown is cyclical in nature or structural. All of this depends on the benchmark that we use — the real rate of GDP growth, given the GDP deflator (the RBI target of 4 per cent). The GDP growth rate last quarter of 2018-19 was at 5.8 per cent. In 2018-19, the growth rate was 6.8 per cent. The Survey makes the point that in the preceding five years, the average rate of growth was 7.5 per cent. This year, the Budget has a projection of 7 per cent. This is what determines different peo-

ple's perception. Are we on a trend of 7 per cent, was 5.8 per cent in the last quarter a blip? Or are we on a trend of 6 per cent? This, to my view, is the key question. Given the global uncertainty, or all that is happening in the external world, even the 6 per cent is not dismal. It's not enough, we need to grow faster. End of the month, we will have the first quarter figures of 2019-20. We will know whether it is a 6 per cent or 7 per cent trend.

We all know that reforms that are necessary. Irrespective of what the trend GDP growth rate is, it must be remembered that many of these require legislative changes. Many of these are factor markets, and in the

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

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

CHAIRMAN. PRIME MINSTER'S ECONOMIC ADVISORY COUNCIL these reforms are necessary. But government should pay for dethe national government in fence. After all, I have got limi-Delhi has limited degree of freetation in terms of resources dom for pushing those reforms. available for public expenditure, I need to prioritise. That priori-But given the slowdown. tisation cannot be done by the Union government alone, but what best can the

government do to get the most out of its expenditure?

"... we should not have any sector-specific

tax story even further"

BIBEK DEBROY

interventions. These will create distortions. Fiscal

concessions to specific sectors will complicate the

Let's look at government ex-What about GST itself? penditure — here, there are lim-I think a lot can be done on its 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 GST rate. schemes (CSS). In central sector schemes, there is 100 per cent funding by the government. But there are too many Central sec-

Finance Fourteenth 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 ef-

tor and CSS. The Shivraj

Chouhan Committee had os-

tensibly collapsed these into 28

schemes, and they come to an

end in March 2020, since they

with

co-terminus

are

ficiency 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 will take a year to reap benefits.

also by states.

Express File Photo

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

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

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



\$99.1 BILLION

Net foreign purchases of long term US securities in June 2019

\$155.3 **BILLION IN APRIL**

Health Ministry suspends CDSCO official arrested by CBI over 'corruption' charge

ENS ECONOMIC BUREAU 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, Dv. 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 ioined CDSCO in November 2006 after over five vears 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 — IK Drugs and Pharmaceuticals and Paam Pharma. The specific details surround-

ing 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 CD-SCO 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

White House says no recession in sight, pushes China trade talks

HOWARD SCHNEIDER WASHINGTON, AUGUST 18

WHITE HOUSE White House officials pushed back on Sunday against concerns that economic growth may be faltering, saying they saw little risk of recession despite a volatile week on global bond markets, and insisting their trade war with China was doing no damage to the United States.

administration Economic Adviser Larry Kudlow said trade deputies from the two countries would speak within 10 days and "if those deputies meetings pan out ... we are planning to have China come to the USA" to advance negotiations over ending a trade battle that has emerged as a potential risk to global growth.

But even with the stalks stalled for now and the threat of greater tariffs and other trade restrictions hanging over the world



Trump administration **Economic Adviser Larry** Kudlow said trade deputies from US and China would **speak within 10 days.** *Reuters*

economy, Kudlow said on Fox News Sunday the US remained "in pretty good shape." "There is no recession in sight," Kudlow said. "Consumers are working. Their wages are rising. They are spending and they are saving."

His comments follow a rocky week where concerns over a possible US recession began to drive

financial markets and seemed to put White House officials on edge about whether the economy would hold up through the 2020 presidential election campaign. Democrats on Sunday argued Trump's trade policies are now posing an acute, short-term risk.

US stock markets tanked last week on recession fears with all three major US indexes closing down about 3 per cent on Wednesday only to pair their losses by Friday due to expectations the European Central Bank might cut rates.

The Fed and 19 other central banks have already loosened monetary policy in what Fitch Ratings last week described as the largest shift since the 2009 recession. Markets are expecting even more cuts to come. For a brief time last week bond investors demanded higher interest rate on 2year Treasury bonds than for 10year Treasury bonds. **REUTERS**

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 the sell the current BS-IV compliant vehicles, which would mean that the stocks, if left unsold, will become scrap. Dealer checks shows that dis-

counts 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 (exshowroom), which before discount 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 (exshowroom). 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 Hvundai Motor India Ltd (HMIL) 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**