GOLD	RUPEE	OIL	SILVER
₹39,720	₹71.42	$59.61	₹48,600

Indian basket as on August 29, 2019

SENSEX: 37,332.79 ▲ 263.86 **NIFTY:** 11,023.25 ▲ 74.9 **NIKKEI:** 20,704.37 ▲ 243.44 **HANG SENG:** 25,724.73 ▲ 21.23 **FTSE:** 7,232.73 ▲ 48.41 **DAX:** 11,976.16 ▲ 137.28

International market data till 1900 IST

SECTOR SCAN
E-COMMERCE

CCI interim study takes note of issues raised by vendors, online aggregators

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 30

INITIATING A study on the e-commerce sector including segments like mobile, grocery, food, electronics, lifestyle and hotels, the Competition Commission of India (CCI) released the interim findings of the research in which concerns pertaining to discounts, commissions and algorithms were raised by various stakeholders such as restaurant owners, online aggregators, hotels, online travel agencies, sellers, online marketplaces.

In the food sector, restaurants have said that deep discounts by online platforms "cannibalising dine in" and the burden on discounts is shifting to restaurants. They have also noted that online food platforms arbitrarily increase commissions and compelled them to use their manpower. To this, online food platforms have asserted that restaurants participate in discount schemes at their own discretion; and commissions are decided based on mutual negotiations and there is no restriction on use of manpower.

The interim findings of the antitrust panel's study show that 78 per cent of the restaurants surveyed have an online presence and 69 per cent went online between 2016 and 2018. Further, it noted that for respondent restaurants around 28 per cent revenue is earned through online platforms.

The CCI has also pointed out a developing trend of online platforms expanding into related B2B domains such as food ingredient supply, alongside providing kitchen infrastructure. In addition to this, online aggregators have also ventured into cloud kitchens. The restaurants have stated that data collected by online platforms from the eateries is being used to promote their own cloud kitchens, while the aggregators have said that data is shared with restaurants.

In addition to this, the CCI also studied the online retail segment, in which vendors or sellers said that e-commerce platforms give preferential treatment to certain sellers; there is a high search ranking for preferred sellers; and they feel compelled to participate in discounts.

On the other hand, e-commerce market place players have said that the sellers are independent third party players; sellers participate in deals at their own discretion; search ranking of sellers is based on algorithms; and there is a mechanism in place to deal with unauthorised vendors selling counterfeit products. Similarly, the hotel industry argued that they are forced to set unviable rates because of discounts by online travel operators. They also informed CCI that they see unilateral increase in commissions by online tour operators, and the search ranking algorithm is opaque. Online tour operators have said that prices are determined by hotels, and they offer discounts above listed room price.

The competition panel has sought views of stakeholders by September 30, before it publishes the final findings.

Need to keep watch on data usage: Kumar

New Delhi: Data is critical for e-commerce and there is a need to keep close watch on its usage to prevent creation of "unprecedented market power", and it should not be controlled by a central authority as that could kill all trade and commerce, Niti Aayog Vice-Chairman Rajiv Kumar said on Friday. The underlying comparative advantage and strength of the fast growing e-commerce sector comes from data, he said. Kumar was speaking at a workshop of CCI on e-commerce. **PTI**

'DECISION MAY BLOCK CREDIT FLOW IN SHORT TERM'

Good move but bad timing: experts on bank merger

SANDEEP SINGH
NEW DELHI, AUGUST 30

IN THE works for over last one year, the government on Friday decided to announce the merger of 10 PSU banks into four. As it coincided with the announcement of first quarter GDP number of 5 per cent, market experts termed the bank merger announcement as a "good move, but bad timing".

Banking analysts and top officials at mutual funds said that while the move will benefit in the long run as it will create large banks and improve efficiency of the banking system, it is expected to further slow down bank lending — especially by those that are getting merged, in the near term.

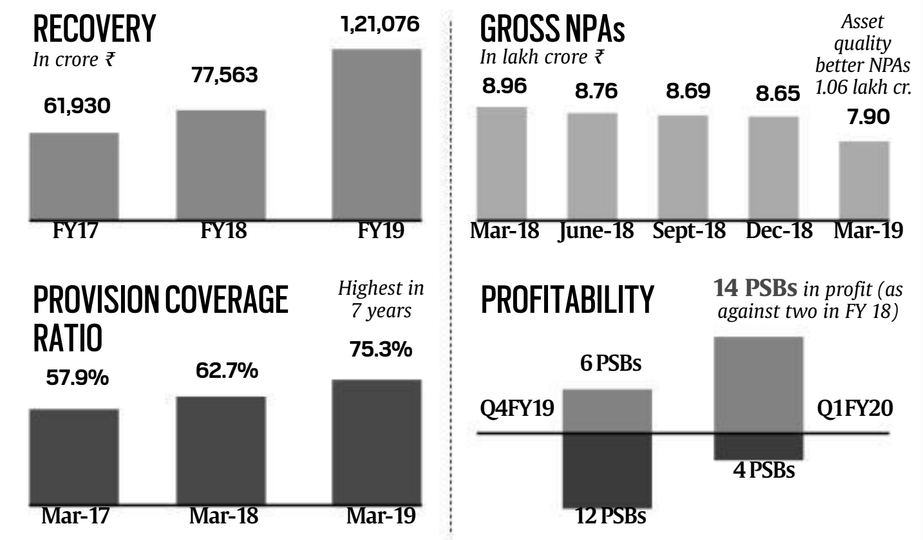
"The banks that are getting merged will see a slowdown in decision making at the top level as senior officials of such banks would put all the decisions on the back-burner and it will lead to a drop in credit delivery in the system," said the CIO of a leading mutual fund. In fact, the three-way merger of Dena Bank and Vijaya Bank with Bank of Baroda took over six months to come into effect. While the government first proposed the merger of the banks in September 2018, the merger came into force on April 1, 2019.

The head of a leading financial services firm said that there seems to be a lack of co-ordinated effort within the Centre to lift the economy. "There is a slowdown in the economy and private consumption and investments are down and at a time when you need to lift the economy and increase the credit flow in the short-term, you take a decision that will block the credit in the short term," said the official. He added that the measures being announced leave a lot to be desired. "More than interest rate transmission, we need transmission of liquidity and that is not happening." There is a growing concern in the market over the continued slowdown in growth from 8 per cent to 5 per cent in five quarters and analysts called for steps that can revive the economy and growth in the near term.

"The momentum at which we have lost 3 percentage points of GDP growth is a matter of concern," said an economist. Banking experts say that the merger may take around six months to come into effect, and till that time banks getting merged with the anchor banks will see a freeze in decision making. "The idea is good but the timing is bad," said a fund manager with another mutual fund.

"Smaller state-owned banks are generally inefficient and so the idea to merge them to make a large bank would be a good one in the long run. However, at a time when the consumption is slowed down significantly, the merger will slow down lending at their entity level and also within the system. This will throw up a short-term challenge to prop up growth ..." said the fund manager.

Financial health of PSBs



... decision reflects ... commitment to provide ... financial base on which we can move towards $5 tn mark"
SANDIP SOMANY, PRESIDENT, FICCI

"Was pleased to see the bank consolidation announced ... A 'reform a week' is just the kind of tonic we need ..."
ANAND MAHINDRA , CHAIRMAN, MAHINDRA GROUP

"The proposals which the government has moved are unmindful since it has no logic or rationale ..."
ALL-INDIA BANK EMPLOYEES ASSOCIATION

Bigger banks have more ability to absorb shocks: SBI Chairman

ENS ECONOMIC BUREAU
MUMBAI, AUGUST 30

"... the government recognises the importance of a robust banking system in achieving goal of $5 trillion economy as bigger banks will be better armed to meet credit needs of a fast growing economy like ours"
RAJNISH KUMAR
CHAIRMAN, SBI

STATE BANK of India (SBI) Chairman Rajnish Kumar on Friday said the announcement on bank mergers is "a cohesive and a clear recognition" that bigger banks have that much more ability to absorb shocks, reap economies of scale as well as the capacity to raise resources without depending unduly on the exchequer.

Reacting to the merger announcement of public sector undertaking (PSU) banks on Friday, Kumar said the bank mergers also underline the fact that "the government recognises the importance of a robust banking system in achieving the goal of $5 trillion economy as bigger banks will be better armed to meet the credit needs of a fast growing economy like ours".

According to him, the decision to have separate mechanism for sanctioning and monitoring of big loans will ring-fence the banks against potential frauds.

Further, the decision to empower bank boards and operational flexibility in hiring from the market will prioritise robust risk management practices in decision making".

Five associates and the Bharatiya Mahila Bank became part of State Bank of India on April 1, 2017, catapulting the country's largest lender to among the top 50 banks in the world. State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT), were the five associates that merged with SBI, in the first series of PSU banks mergers initiated by the government.

'New FDI norms may not help boost inflows'

Relaxation of the foreign direct investment (FDI) norms by India in many sectors is unlikely to meet the desired objective of upping flows or aiding growth anytime soon, an India Ratings and Research report said

VISIBILITY ON DEMAND VITAL: To attract "meaningful flows" of funds, visibility of demand is necessary, and a broad-based economic recovery will be critical for attracting flows

VIEWS ON 100% FDI IN CONTRACT MANUFACTURING AND COAL MINING:

- Move is expected to facilitate significant domestic and foreign investment
- Urgent need is to address structural demand-side headwinds and regulatory challenges

EASE OF DOING BUSINESS IN COAL SECTOR: There is significant need to enhance ease of doing business in the coal sector, through measures like rationalisation of regulatory procedures such as the land acquisition

'MINIMAL' PRIVATE INVESTMENT: Private sector investment in captive coal mines are "minimal" owing to these regulatory challenges and uncertainties, along with lack of excavation infrastructure

BENEFITS OF 100% FDI IN CONTRACT MANUFACTURING:

- Will open gates for global electronic goods manufacturers to set up shop in India
- Manufacturers' concern on IP rights could be overcome

FLEXIBILITY TO NEW ENTRANTS: Once the economy revives, the ability to raise up to 100 per cent FDI will boost financial flexibility of new entrants

'8.65% interest on EPF to be notified soon'

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 30

LABOUR MINISTRY and Finance Ministry have reached a consensus on the 8.65 per cent interest rate for Employees' Provident Fund Organisation (EPFO) subscribers for 2018-19 and the interest rate will be notified soon by the Labour Ministry.

"The Finance Ministry has agreed with the 8.65 per cent EPF interest rate (for 2018-19). It will be notified soon," Labour and Employment Minister Santosh Gangwar said Friday.

Since the EPFO board's recommendation to hike the interest rate to 8.65 per cent in February, the two ministries have been exchanging missives regarding the sustainability of the rate and the risks associated with the investment exposure of the retirement fund body.

In a pre-election announcement, the Central Board of Trustees (CBT) of the EPFO in February recommended hiking the interest rate for its 6-crore active subscribers to 8.65 per cent for 2018-19 from a five-year low of 8.55 per cent in the previous financial year.

In April, the Finance Ministry had questioned the Fund's exposure to IL&FS and similar risky entities and the Ministry of Labour and Employment was asked by the Finance Ministry to explain whether the EPFO has sufficient surplus for the payout decided for last fiscal, especially if some of these investments turn bad.

The Ministry was also asked to explain a key question: why the "surplus" after payout of EPF interest rate for previous years is shown only in the EPFO's "estimates," but not reflected clearly in the "actuals" over the years?

At 8.65 per cent, the estimated surplus of EPFO is Rs 151.67 crore. Retaining the previous year's interest rate of 8.55 per cent would have resulted in a surplus of Rs 771.37 crore and an interest rate higher than the recommended rate at 8.7 per cent would have resulted in a deficit of Rs 158 crore, as per the estimates.

As per convention, Finance Ministry ratifies the EPF interest rate recommended by the CBT every year, following which it is notified by Labour Ministry. The increase in EPF rate comes at a time when there's an overall downward rate cycle. The hike in EPF interest rate will yield an interest rate higher than most small savings instruments, which are linked to yield on government securities.

EXPLAINED

EPFO avoided ₹158 cr deficit

ACCORDING TO the EPFO estimates, there would have been a deficit of Rs 158 crore on providing 8.7 per cent rate of interest on EPF for the previous financial year. That is why the body decided to provide 8.65 per cent rate of interest for 2018-19.

Overlooked for chairman post, CBDT member Ranjan seeks retirement

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 30

CBDT MEMBER (Legislation) and senior Indian Revenue Services official Akhilesh Ranjan, who was overlooked for the post of the Board's Chairman, has written to the government seeking voluntary retirement, sources said Friday. On Wednesday, the government had granted a one-year extension to PC Mody, the current Chairman of Central Board of Direct Taxes (CBDT), who otherwise was due to retire on August 31 and Ranjan by way of seniority would have succeeded him as Chairman.

On August 19, Ranjan and other members of the task force on direct taxes headed by him had submitted the draft of the new direct tax legislation and report of the task force on direct tax law. The report is yet to be made public. Both Ranjan and the CBDT spokesperson did not respond to the queries sent by *The Indian Express*.

Sources said that Ranjan has sought retirement from the service owing to "family and personal reasons" but would have continued in the service had he been elevated as the Chairman. Ranjan, a 1982-batch Indian Revenue Service officer, was second in the succession line and was stipulated to retire in April next year.

Fiscal deficit touches ₹5.47 lakh cr at July-end

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 30

THE GOVERNMENT'S fiscal deficit as of July-end reached Rs 5.47 lakh crore — 77.8 per cent of the Budget Estimate (BE) for the current fiscal.

According to data released by the Controller General of Accounts (CGA) on Friday, the fiscal deficit — or gap between expenditure and revenue — in absolute terms was Rs 5,47,605 crore at the end of July.

The deficit stood at 86.5 per cent of 2018-19 BE in the year-ago period.

The Centre estimates the fiscal deficit to be at Rs 7.03 lakh crore during 2019-20.

It aims to limit the deficit at 3.3 per cent of the gross domestic product (GDP) in the current financial year.

According to the CGA data, the government's revenue receipts during the April-July period of this fiscal was unchanged at 19.5 per cent of the BE, as against the corresponding period last year.

In absolute terms, revenue receipt was at Rs 3.82 lakh crore as of July-end 2019.

For the entire year, the revenue receipts have been pegged at Rs 19.62 lakh crore.

The CGA said that the capital expenditure was 31.8 per cent of the BE. This compares with 37.1 per cent in the year-ago period, it added.

Meanwhile, total expenditure in April-July period stood at Rs 9.47 lakh crore or 34 per cent of the BE. The expenditure was 36.4 per cent of the BE in the corresponding period last fiscal. The Centre has pegged its total expenditure during the fiscal ending March 2020 at Rs 27.86 lakh crore.

The CGA further said the fiscal deficit figure in monthly accounts during a financial year is not necessarily an indicator of fiscal deficit for the year.

Its data gets impacted by temporal mismatch between flow of non-debt receipts and expenditure up to that month on account of various transitional factors both on receipt and expenditure side, which may get substantially offset by the end of the financial year. **WITH PTI**

77.8% OF BUDGET ESTIMATE FOR CURRENT FISCAL

- **According to data released by the Controller General of Accounts (CGA) on Friday, the fiscal deficit — or gap between expenditure and revenue — in absolute terms was Rs 5,47,605 crore at the end of July**
- **The government's revenue receipts during the April-July period of this fiscal was unchanged at 19.5 per cent of the BE, as against the corresponding period last year**
- **In absolute terms, revenue receipt was at Rs 3.82 lakh crore as of July-end 2019. For the entire year, the revenue receipts have been pegged at Rs 19.62 lakh crore, according to the Controller General of Accounts data**

US doesn't have a 'tariff problem', it has 'a Fed problem', says Trump

AGENCE FRANCE-PRESSE
WASHINGTON, AUGUST 30

UNITED STATES President Donald Trump on Friday denied his trade wars were harming the country's economy, instead blaming the Federal Reserve for allowing a strong dollar to make American exports less competitive.

The remarks came just two days before Washington is due to impose a wave of a new tariffs on billions in Chinese imports after this month's sharp deterioration in trade relations with Beijing.

He said aggressive tariffs are taking care of "bad and/or unfair players"

"We don't have a Tariff problem.... we have a Fed problem," Trump said on Twitter.

He said as the euro falls against the dollar, it is "giving them a big export and manufacturing advantage," while his aggressive tariffs are taking care of "bad and/or unfair players."

Fears that Trump's trade wars are damaging the world's largest economy and pushing the world toward recession have rippled through global markets this month -- with investors soothed this week by the more positive tone struck by Chinese and US officials.

But Trump has frequently lashed out at Chinese and European authorities, accusing them of deliberately weakening their currencies to gain unfair trade advantages — charges they have denied.

And he has repeatedly criticised Fed chair Jerome Powell.

China: Teams keeping 'effective communication'

REUTERS
BEIJING, AUGUST 30

CHINESE AND US trade negotiating teams are maintaining effective communication, China's Foreign Ministry said on Friday, less than 48 hours before US tariffs kick in on an additional $125 billion in Chinese goods. The tariff war now involves hundreds of billions of dollars of goods and threatens global economic growth. Uncertainty about when or how it could end has roiled markets and complicated corporations' long-term investment plans.

Google reveals years-long 'indiscriminate' iPhone hack

AGENCE FRANCE-PRESSE
WASHINGTON, AUGUST 30

GOOGLE SECURITY experts uncovered an "indiscriminate" hacking operation that targeted iPhones over a period of at least two years and used websites to implant malicious software to access photos, user locations and other data.

In a post Thursday on the blog of Google's Project Zero security taskforce, cyber experts did not name the hacked websites hosting the attacks, but estimated they received thousands of visitors a week. "Simply visiting the hacked site was enough for the exploit server to attack your device, and if it was successful, install a monitoring implant," said Project Zero's Ian Beer.

Once installed, the malicious software "primarily focused on stealing files and uploading live location data," Beer said, adding it had been able to access encrypted messenger apps like Telegram, WhatsApp and iMessage.

Google hangouts and Gmail had also been affected, he added in the post.

'Google to pay up to $200 mn to FTC'

New Delhi: Alphabet Inc's Google will pay in the range of $150 million to $200 million to settle the Federal Trade Commission's investigation into YouTube's alleged violation of a certain children's privacy law, *Politico* reported on Friday. The FTC voted 3-2 to approve the settlement. **REUTERS**