Economy

THURSDAY, OCTOBER 10, 2019

TAX OFFER

Rajnath Singh, defence minister

For 'Make in India' in defence, if there is need for further tax rationalisation, it may be considered suitably

Quick View

GST refund for Mum airport duty-free

OBSERVING THAT THE GST regime is based on 'one nation, one tax theory', the Bombay High Court quashed a Maharashtra Sales Tax order that had refused refund of input tax credit to the duty-free shops at the Mumbai international airport.

Shivakumar case: Official quizzed

KARNATAKA STATE APEX Cooperative Bank president K N Rajanna on Wednesday appeared before the ED in connection with the money laundering case filed against former state minister D K Shivakumar, officials said.

2nd chargesheet in IMA case

THE CBI HAS filed a supplementary charge sheet in a Bengaluru court against two accused in ponzi scam pertaining to I-Monetary Advisory (IMA), which allegedly duped lakhs of people, especially Muslims, promising higher returns on their investments using Islamic methods, officials said.

Regulatory issues due to technology

REGULATORY ISSUES ARISING out of convergence of technologies need to be addressed, I&B ministry secretary Amit Khare said on Wednesday.

GLOBAL DOWNTURN

Slowdown more pronounced in Ind: IMF

PRESS TRUST OF INDIA
Washington, October 9

THE LARGEST EMERGING market economies like India are experiencing an even 'more pronounced' effect of the global downturn, new IMF chief Kristalina Georgieva has said, warning that the global economy is witnessing 'synchronised slowdown' which will result in slower growth for 90% of the world this year.

The managing director of International Monetary Fund (IMF) pointed out that the widespread deceleration means that growth this year will fall to its lowest rate since the beginning of the decade.

She said the World Economic Outlook to be released next week will show downward revisions for 2019 and 2020.

"In 2019, we expect slower growth in nearly 90% of the world. The global economy is now in a synchronised slowdown," Georgieva said on Tuesday in her curtain raiser speech for the IMF and World Bank's annual meeting here next week.

The headline numbers reflect a complex situation, she said.

Despite this overall deceleration, close to 40 emerging market and developing economies are forecast to have real GDP growth rates above 5% — including 19 in sub-Saharan Africa, the IMF chief said.

In the United States and Germany, unemployment is at historic lows. Yet across advanced economies, including in the US, Japan and especially the euro area, there is a softening of economic activity, she said.

"In some of the largest emerging market economies, such as India and Brazil, the slowdown is even more pronounced this year. In China, growth is gradually coming down from the rapid pace it saw for many years," Georgieva said.

The precarious outlook presents challenges for countries already facing difficulties — including some of the Fund's programme countries, she noted.

The Reserve Bank of India on Friday lowered India's GDP growth estimate for the year to 6.1% from the earlier figure of 6.9% due to the on-going period of economic slowdown.

Georgieva called for using monetary policy wisely and enhancing financial stability.

"Now is the time for countries with room in their budgets to deploy — or get ready to deploy — fiscal firepower. In fact, low interest rates may give some policymakers additional money to spend," she said.

Referring to a new IMF research, which shows how structural reforms can raise productivity and generate enormous economic gains, she said these changes are the key to achieving higher growth over the medium and long-term.

"The right reforms in the right sequence could double the speed at which emerging markets and developing economies reach the living standards of the advanced economies," Georgieva said.

While the need for international cooperation is going up, the will to engage is going down, she rued.

"Trade is a case in point. And yet, we need to work together. From safely adapting to fintech, to fully implementing the financial regulatory reform agenda, to fighting money laundering and the financing of terrorism," Georgieva said.

Describing climate Change as a crisis where no one is immune and everyone has a responsibility to act, she said one of its priorities was to assist countries as they reduce carbon emissions and become more climate resilient.

At the current average carbon price of $2 per tonne, most people and most companies have little financial incentive to make this transition. Limiting global warming to a safe level requires a significantly higher carbon price, she added.

Bulgarian economist Georgieva was confirmed last month as Managing Director of the IMF, becoming the first person from an emerging economy to head the global lender.

Liberal increase in DA for central govt employees, pensioners

FE BUREAU
New Delhi, October 9

THE CENTRE ON Wednesday pleasantly surprised its 1.15 crore employees and pensioners by hiking their dearness allowance and reliefs (DA/DR) by a steep 5 percentage points to 17%, in a gesture that went beyond the relevant formulaic requirement and patently aimed at boosting festive-season consumption.

Revised twice a year, in January and July, DA in theory is meant to offset the impact of inflation and enable the beneficiaries to cope with the increasing prices. However, the latest DA hike, to be effective from July 1, 2019, is the highest ever and is despite the annual consumer price inflation during the 12 months till the implementation date being just 3%.

This bucks the trend of DA hikes lagging the inflation rate in recent years.

Beginning January 2019, the government had raised the DA/DR to 12% from 9%.

The government said the combined impact on the exchequer on account of both DA and DR would be ₹15,909 crore per annum and ₹10,606 crore in financial year 2019-20 (for a period of eight months from July 2019 to February 2020).

DA is computed as percentage of basic pay and it is now a norm to merge the DA with the basic salary once the percentage breaches the 50% mark. DA is fully taxable. The DA computation formula is revisited by every pay commission and the current formula is based on the 7th Pay commission recommendations.

"Taking into consideration (other specified) factors and the impact of recent policy rate cuts, the CPI inflation projection is revised slightly upwards to 3.4% for Q22019-20, while projections are retained at 3.5-3.7% for H22019-20 and 3.6% for Q12020-21, with risks evenly balanced," the RBI has said in its latest bi-monthly monetary policy statement.

₹5.5 lakh package for each of 5,300 displaced PoK families

THE CENTRE ON Wednesday approved a resettlement package under which ₹5.5 lakh will be given to each of the 5,300 displaced families which had come from PoK, initially settled outside Jammu and Kashmir and later relocated to the state.

The decision was taken at a meeting of the Union Cabinet chaired by Prime Minister Narendra Modi here.

The families will get a one-time financial assistance of ₹5.5 lakh under the existing scheme, and in turn, be able to get some sustained income, an official statement said.

The Cabinet approved the inclusion of the families from Jammu and Kashmir which were displaced in 1947 and had initially moved out of the state but later on returned and settled there in the Centre's rehabilitation package.

These families were left out of the package approved by the Cabinet on November 30, 2016 for displaced families of Pakistan occupied Jammu and Kashmir (PoJK) and Chhamb under the PM's Development Package 2015 for Jammu and Kashmir. In the wake of the 1947 Pakistani aggression in Jammu and Kashmir, 31,619 families migrated from PoJK to Jammu and Kashmir. — PTI

No compulsory Aadhaar seeding for PM-Kisan benefits till Nov 30

FE BUREAU
New Delhi, October 9

THE CABINET ON Wednesday allowed transfer of PM-Kisan benefit to the farmers without Aadhaar seeding of their bank accounts until November 30, which will help pump in about ₹8,000 crore immediately into rural India. Farmers have received about ₹9,000 crore since August 1 when Aadhaar seeding was made mandatory.

So far, ₹27,306 crore has been transferred into bank accounts of 6.77 crore, 5.14 crore and 1.74 crore farmers (not mutually exclusive sets) as first, second and third installments, respectively, since the inception of the scheme.

"The transfer of PM-Kisan benefit was slow because of compulsory Aadhaar verification. After the decision to relax the norm, the transfer process will be faster and before Diwali (October 27) all eligible farmers may receive the benefit in their bank accounts," a government official said. The Centre had received data of 7.15 crore farmers (including 4.74 crore uploaded until March 31) from the state governments until July 31. These farmers are eligible to receive either second or third installment during August-November period.

The farmers' data received from August 1 (about 1.35 crore, so far) will be considered for their first installment during August-November period.

Earlier, Aadhaar seeding was mandated to avail installment after August 1. It was exempted until March 2020 only for farmers of Assam, Meghalaya and Jammu and Kashmir, where Aadhaar penetration is poor.

"The mandatory requirement of Aadhaar seeding was taking time and therefore we have relaxed the norm till November 30," information and broadcasting minister Prakash Javadekar told reporters after the Cabinet meeting. This will help farmers to buy farm inputs like fertilisers, seeds as rabi sowing season has started from this month, Javadekar said.

The Centre, last month, allowed farmers self registration through the online portal under PM-Kisan scheme and plans to get the registration done through a national helpline number to cover maximum people at the earliest. These registrations, of course, will need to be validated by states.

The direct benefit transfer scheme was announced by the then finance minister Piyush Goyal during his Interim Budget speech in February. Initially, the target was to cover 12 crore small and marginal farmers (owning up to 2 hectares of land), with each getting ₹6,000 in a year in three equal installments of ₹2,000 each. But after returning to power in May, the NDA government approved inclusion of an additional two crore farmers under the scheme. Estimated to cost ₹75,000 crore annually, it took retrospective effect from December 1, 2018.

From the Front Page

Insolvency: E-marketplace for toxic assets soon

ACCORDING TO THE source, these entities will have the flexibility of generating revenues for their operations by way of a fee from interested investors for the information and other services provided through this platform, and the government doesn't have to bear the financial burden. These entities will come under the regulatory glare of IBBI.

The proposal comes at a time when the resolution of many large default cases, including Essar Steel and Bhushan Power and Steel, has dragged on for ages due to litigations, much beyond the maximum of 270 days that the IBC used to allow to resolve a case. In fact, the resolution of as many as 34% of the 1,292 ongoing cases in the bankruptcy courts until June 30 were delayed beyond 270 days, up from 26% a year ago and 31% in the March quarter. Five of the 12 large non-performing asset (NPA) accounts recommended by RBI in 2017 for resolution under the IBC are yet to see finality in resolution.

Of course, the government has now stipulated that all insolvency cases must be resolved with 330 days, including the time spent on litigations. This, as corporate affairs secretary Injeti Srinivas emphasised last week, will help expedite resolution under the IBC. The move to set up the online marketplace is yet another attempt to speed up the process.

Analysts have pointed out that while the government and the regulator have been responding to the changing insolvency landscape swiftly with regular changes/additions to the Code and regulations, the adjudicating and appellate mechanisms must pick up pace and stop unscrupulous element from hijacking the IBC process through frivolous litigation.

Jio puts users to fight its IUC battle

SO, A THREE-MINUTE call from a Jio phone to a Bharti network would see the subscriber of the former shelling out 18 paise.

Jio has come out with IUC top-up vouchers in four denominations — ₹10, ₹20, ₹50 and ₹100 — which would entitle users with free data of 1, 2, 5 and 10 GB, respectively. For postpaid users, the charge for such calls would be adjusted in the monthly bills.

The idea behind the move is to ensure that Jio does not have to pay termination charge from its pocket. If consumers give missed calls on rival networks and get a callback, they save such a charge, or alternatively, if they make WhatsApp calls they don't have to pay it either.

Jio said since its launch in September 2016 it had to bear ₹13,500-crore payment to Bharti Airtel and Vodafone Idea as termination charge.

Trai had last reduced termination rate in September 2017 by a massive 57% to 6 paise per minute. Prior to it the rate was 14 paise per minute. At that time, Trai had said it proposes that from January 2020 operators move to a regime of zero rate.

In its consultation paper issued on September 18 this year, however, the regulator said, "While revisiting the issue, based on the actual developments during the last two years, it needs to be decided as to whether the date 1.1.2020, earlier fixed for implementing BAK regime (zero termination charge), through IUC Regulations 2017, still holds or it requires reconsideration."

The reason behind Trai's rethink on moving to a zero-rate regime is that traffic imbalance, though reduced from pre-September 2017 days, still exists. According to figures shared by Trai, Bharti's incoming calls (from other networks) stands at 54.70% compared with 45.30% of outgoing calls. Jio's incoming calls stand at 35.75% and outgoing at 64.25%, while for Vodafone Idea incoming calls are 59.30% and outgoing at 40.70%. Since termination charges are paid on the basis of outgoing calls, it can be seen that Jio has the lowest percentage of such calls, so its outgo on termination is the highest. It is because of this imbalance that the incumbents are opposed to any move by Trai to reduce the termination charges to zero from January.

According to Jio, post-September 2017, while the incumbents reduced voice tariffs for their 4G customers, they continued to charge exorbitant tariffs to their 350-400 million 2G customers, and in fact, increased the tariffs for voice calls to around ₹1.50 per minute. They also charge a minimum of ₹500 per 1 GB for data from their 2G customers.

"The price differential of free voice on Jio network and exorbitantly high tariffs on 2G networks causes the 350-400 million customers of Airtel and Vodafone Idea to give missed calls to the Jio customers. Jio network receives 250-300 million missed calls on daily basis," Jio said.

"This huge missed call phenomenon converts the incoming calls to Jio into outgoing calls to other operators. The 250-300 million missed calls per day should have resulted in 650-750 million minutes of incoming traffic to Jio. Instead, the call back made by the Jio customers results in 650-750 million minutes of outgoing traffic," Jio added.

Refuting Jio's interpretation of the Trai's roadmap on IUC and the former's charge on missed calls, Bharti Airtel said in a statement: "Assumptions made by Trai were to evaluate two factors: One was the adoption of VoLTE (4G), which Trai assumed will bring the cost down. Second, with the growth of smaller sized operators, symmetry of traffic would ensue. Both these have not materialised. There are still over 400 million 2G customers from the poorest sections of society living in rural areas paying less than ₹50 per month and who can still not afford to buy a 4G device. Second, there still is significant asymmetry of traffic. In line with Trai's stated position, therefore, they have issued a consultation paper in September 2019 to reassess the time lines of the shift from 6 paise to a zero charge. Clearly, this offnet charge being levied, therefore, is to force IUC to be brought down despite the heavy burden it puts in the receiving network. We are grateful this very timely consultation paper reassessing IUC has been issued by Trai."

Meanwhile, Vodafone Idea said in a statement: "The announcement by one of the telecom service providers today to charge for calls made to other service providers to cover the termination charge of IUC is not only an action of undue haste but it also does not bring out the fact that interconnect is a settlement between operators and not a consumer pricing matter."

Markets rally after 6-day losing streak

OTHER LAGGARDS WERE Hero MotoCorp, HCL Tech, ITC, TCS, Infosys, ONGC and Bajaj Auto.

"Markets recovered after many days of fall and rose comfortably above 11,300-level. Banks outperformed as sharp fall in bond yield is indicating further room for rate cuts which will improve liquidity and consumption story.

"Further, a 5% hike in DA by govt will add impetus to the festival demand. Going forward, the result season will dictate the market direction and investors are expecting some green shoots on account of festival demand and good monsoon," said Vinod Nair, Head of Research at Geojit Financial Services.

Sectorally, BSE Telecom emerged as the biggest gainer with a jump of 4.92%, followed by banking (3.67%), finance (2.84%), metal (2.12%), realty (1.99%), basic materials (1.95%) and energy (0.98%).

However, IT, consumer durables and teck lost up to 0.92%.

In the broader markets, the BSE Midcap index shot up 1.38%, while the smallcap gauge gained 0.66%.

The rupee was trading 3 paise lower at 70.98 against the dollar (intra-day).

Brent futures, the global oil benchmark, rose 1.08% to $58.77 per barrel.

Asian markets were mixed following concerns over the US-China trade negotiations, while European bourses were trading higher in early deals as investors digested earnings data.

To live or die by Google Search brings an escalating cost

IN THE US, IAC/InterActive Corp, which owns internet services like Tinder, and ride-hailing company Lyft have signalled Google's stranglehold on the market.

The clamour from companies has prompted the UK competition watchdog to study online platforms and digital advertising in July, aiming to examine the market power of companies like Google over online marketing. The European Union has been trying to rein in Google, fining the company 1.5 billion euros ($1.6 billion) this year for thwarting advertising rivals. In the US there's a rising chorus of voices on the political left and right demanding Google be cut down to size, somehow.

Searching game

The case of GoCompare shows just how difficult it is to win the search game.

GoCompare is known locally for its off-beat ads where an opera singer belts out its name in restaurants, taxis and, more controversially, crawls out of a flipped car in a recreation of an accident. When customers look for the company's name after seeing an ad or type in a query for auto insurance, what appears is a combination of paid advertisements, Google's own blurbs and then so-called natural search results, a list of what the tech giant deems are the most reliable sources of the information.

"The way the algorithm works is constantly changing and you don't get insight into it," said Lexi Mills, chief executive officer of Shift6, a marketing consulting firm that helps clients improve their search results. "The people who get to optimize tend to be the people with the most money."

Nowhere is Google's power more evident -- and potentially damaging to businesses -- than in the market for "branded keywords." This is where businesses buy ads based on their brand names. So GoCompare bids on the word "GoCompare" and when people search for that, Google runs an ad at the top of results usually linking to the company's website.

'Odd Place'

Some businesses say that they have to buy these ads -- whatever the cost -- because rivals can bid on the keywords too. If GoCompare decides not to bid for its own brand, Google can legally sell the ad placements with its name to a competitor, with the top bidders getting the best spots on the page and taking away customers.

"That seems like an odd place to be that I have to bid on my own brand," said Griffin. When the company confronted Google about it, the tech giant said "tell your competitors to stop bidding on you," according to Griffin.

The price GoCompare has to pay for search terms that use its brand has more than doubled since 2016, with a real surge in the last 12 to 18 months, parent company GoCo Group chief executive officer Matthew Crummack said.

Long Fight

Google has real-time pricing for terms like "auto insurance" that GoCompare relies on for sales. Every time someone searches for that term, the prices refresh, driving a tough -- and pricey -- battle for the top spot between GoCompare and rivals like Comparethemarket.com and Moneysupermarket.com.

"Google must be rubbing their hands together thinking, 'This is great,"' when competitors battle it out for top spots, Crummack said. "Every time that happens, the price goes up and they don't have to do anything."

Google defends its system, saying "in order to offer more choice when searching for products or services, we allow competitors to bid on trademark terms. However, we want to balance the interest of both consumers and advertisers, so we allow businesses to file a trademark claim and then we'll block competitors from using their business name in the actual ad text." The company also said it's not just the top bidder, but the top bidder with the most relevant information that gets the coveted spots.

Still, GoCo is looking for ways reduce its reliance on Google, studying a subscription model under which customers sign up for a service that automatically searches for the best rate when policies are due for renewal. That would potentially give the company a captive market. It is also banking on regulators to eventually fix the skewed market, although Crummack doesn't see that happening anytime soon.

"It's not something that helps trading next reporting period," he said. — *Bloomberg*

Competitiveness: India falls 10 spots to 68th on WEF list

ALSO, INDIA IS ranked high at 15th spot in corporate governance and second globally in shareholder governance, according to the WEF study. In terms of the market size and renewable energy regulation, India is placed at the third position.

Moreover, India does well in innovation and is way ahead of most emerging economies and on par with several advanced economies, the report said.

However, the healthy life expectancy, where India has been ranked 109th out of total the 141 countries surveyed for the index, is one of the shortest outside Africa and significantly below the South Asian average.

Besides, India needs to grow its skills base, while its product market efficiency is undermined by a lack of trade openness and the labour market is characterised by a lack of worker rights' protections, insufficiently developed active labour market policies and critically low participation of women.

Singapore has become the world's most competitive economy in 2019, pushing the US to the second place. Hong Kong SAR is ranked 3rd, Netherlands is 4th and Switzerland is ranked 5th.

RBI blocks merger of LVB with Indiabulls

"RBI VIDE THEIR letter dated October 09, 2019, informed the application for voluntary amalgamation of Indiabulls Housing Finance Limited and Indiabulls Commercial Credit Limited with The Lakshmi Vilas Bank Limited cannot be approved," LVB said in a statement to the exchanges on Wednesday.

The latest setback for LVB comes days after RBI initiated a prompt corrective action (PCA) on the lender due to high level of bad loans, lack of sufficient capital to manage risks and a negative return on assets for two consecutive years.

Indiabulls managing director Gagan Banga last week tried to assuage investors, saying the RBI's action on Lakshmi Vilas Bank "does not shut the door on the merger".

Under a corrective action, RBI restricts lenders from issuing big corporate loans to reduce the lender's concentration of risk, while also limiting the opening of new branches, among other steps.

Lakshmi Vilas Bank is also being investigated by the police for alleged misappropriation of funds by its directors.

LVB's shares closed about 5% lower at ₹26.95 on Wednesday, while Indiabulls Housing Finance closed 5.5% up at ₹1,308.65. — *Reuters*