ECONOMY

GOLD	RUPEE	OIL	SILVER
₹38,542	₹71.04	$64.34	₹44,691

*Indian basket as on December 6, 2019

SENSEX: 40,487.43 ▲ 42.28 NIFTY: 11,937.50 ▲ 16.0 NIKKEI: 23,430.70 ▲ 76.30 HANG SENG: 26,494.73 ▼ 3.64 FTSE: 7,226.65 ▼ 13.01 DAX: 13,132.27 ▼ 34.31

*International market data till 1900 IST

SECTOR WATCH
RETAIL & E-COMMERCE

Walmart & Amazon unveil MSME push amid backlash from industry groups

AASHISH ARYAN
NEW DELHI, DECEMBER 9

US-BASED RETAILERS Walmart and Amazon on Monday stepped up efforts to boost their image of being MSME-friendly by launching similar, albeit different, training programmes for India.

Walmart, which had earlier this year bought a controlling 77 per cent stake in homegrown Flipkart, announced the creation of a supplier training and development programme 'Walmart Vriddhi'. The programme aims to train 50,000 small businesses so as to enable them to be suppliers for global supply chains. The global retail conglomerate has tied up with NGO Swasti to open 25 training institutes where it aims to train micro, small and medium enterprises (MSME) entrepreneurs in tailored courses.

"The Vriddhi programme will encourage Indian suppliers to make for online and offline customers around the world, including, but not limited to, the supply chains of Flipkart and Walmart," Judith McKenna, president and CEO, Walmart International, said at an event here Monday.

Jeff Bezos-owned Amazon's Indian arm, on the other hand, announced a partnership with industry body Confederation of Indian Industry "to facilitate MSMEs to develop their business further by listing and selling their products and services online". Amazon India will also conduct workshops, roadshows and e-commerce training for MSMEs with an objective to train them in "leather & footwear, apparels & textiles, automobile, cycle parts and handicrafts" businesses.

The efforts by both Walmart and Amazon India come in the backdrop of continued protests and agitations by the RSS-affiliated Swadeshi Jagran Manch (SJM) and the Confederation of All India Traders (CAIT).

SJM had initially opposed Walmart's entry in India, and later slammed their stake buy in Flipkart as "circumventing" rules for a "back-door entry". It had also written to Prime Minister Narendra Modi, asking him to ensure the interests of those at the bottom of the retail and agriculture chain should be protected after Walmart's India entry.

SJM national co-convenor Ashwani Mahajan had, in his letter to the PM, said the Walmart-Flipkart deal would "not only kill entrepreneurship, and was anti-farmer" but would also "kill job creation opportunities in the market.

CAIT, on the other hand, had approached the National Company Law Appellate Tribunal against the Competition Commission of India's clearance to the Walmart-Flipkart deal.

More recently, both CAIT and SJM made vocal requests to the PM, Finance Minister Nirmala Sitharaman and Commerce Minister Piyush Goyal to probe both Flipkart and Amazon India for deep discounting on their websites.

In a letter, CAIT has said the deep discounting by Flipkart and Amazon meant that they were selling goods much below their fair market price, which was leading to a loss of goods and services tax (GST) revenue for the government.

The traders body had also urged the FM to "institute a probe into this business model" which was "causing huge GST revenue losses to the government" and recover the difference between the billed price and market value of such goods from both the retailers.

DISCREPANCIES BETWEEN GSTR-3B RETURNS, DECLARED TRANSACTIONS

Mismatch in data of transactions on e-tail sites; traders under lens

AANCHAL MAGAZINE
NEW DELHI, DECEMBER 9

OVER A year after the e-commerce operators were mandated to collect 1 per cent Tax Collected at Source (TCS) under goods and services tax (GST), tax authorities have found discrepancies between the amount declared by traders in their monthly GSTR-3B summary returns and the transactions done on such online aggregators.

The value of transactions declared by such traders on online platforms such as Flipkart, Amazon and Snapdeal should have been ideally less than the ones declared in GSTR-3B returns, as the returns would also include offline transactions done by these traders, a senior government official said.

"With the help of TCS levy by e-commerce operators, we have found out that many of their sellers are selling way more than they admit. The transactions declared under TCS are more than the ones traders are declaring in their GSTR-3B returns, which should not be the case," the official told *The Indian Express*.

GST authorities will now look into the zone-wise details of the discrepancies and approach the traders individually, the official further said.

Tax leakages and concerns of completely parallel transactions being done by the traders outside the GST net have led authorities to engage in data analytics to identify possible evasion by GST tax assessees.

Anti-evasion measures play a crucial role at a time when GST revenues have been subdued over the last few months.

Though GST collections in November (for October) rose by 6 per cent to Rs 1,03,492 crore after contracting for two months, the government is set to miss its revenue targets for this financial year. The GST Council has already raised concerns over the slowing GST and compensation cess collections, asking for inputs from states to review the overhaul structure of the indirect tax regime, which may include a hike in GST or cess rates.

As per GST provisions, beginning October 1, 2018, e-commerce companies deduct 1 per cent TCS before making payments to their suppliers.

The Central Board of Indirect Taxes and Customs had said that e-commerce firms, whether domestic or foreign, would have to register themselves in each state/UT as the obligation for collecting TCS will be there for every intra-state or inter-state supply. Foreign e-commerce operators, which do not have a physical presence in a particular state/UT, were asked to appoint an agent on its behalf for the purpose of TCS registration.

EXPLAINED

Tax authorities could go for zone-wise analysis

FOR THE embattled tax department, cases of transaction values declared by traders on online platforms such as Flipkart, Amazon, Snapdeal turning out to be more than the numbers declared by them in the GSTR-3B returns offers points to possible tax evasions.

This comes over a year after the e-commerce players were mandated to collect 1 per cent TCS under the indirect regime. The zone-wise analysis of the discrepancies could reveal the extent of the mismatch.

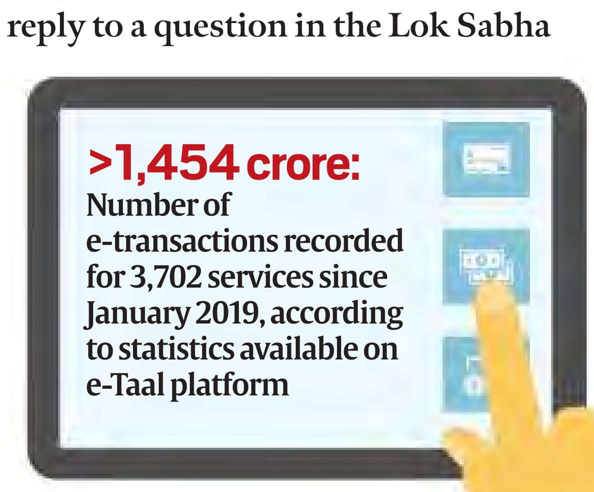
Currency in circulation at ₹21 lakh cr as on Mar '19

Currency in circulation peaked to over ₹21 lakh crore at the end of March 2019, having dipped to ₹13 lakh crore at the end of fiscal 2016-17, Minister of State for Finance Anurag Singh Thakur said in a written reply to a question in the Lok Sabha

₹18,037 bn: Notes in circulation in the fiscal ended March 2018

₹16,415 bn: Value of total notes in circulation in Indian economy, as on March 31, 2016

₹15.31 lakh crore: Value of currency notes returned by public from the ₹15.41 lakh crore worth of ₹500 and ₹1,000 notes in circulation on November 8, 2016



>1,454 crore: Number of e-transactions recorded for 3,702 services since January 2019, according to statistics available on e-Taal platform

99.3%: Percentage of invalid ₹500 and ₹1,000 notes that were returned by public to the banking system, as per the Reserve Bank of India's Annual Report for 2017-18

'ECONOMY ALREADY ADJUSTED TO NEW SCENARIO': To a question whether government has taken note of the fact that non-availability of ₹1,000 currency causes problems to the citizens, Thakur said the economy has already adjusted itself to the new scenario where the earlier series of ₹500 and ₹1,000 had ceased to be a legal tender

'NO FORMAL ASSESSMENT ON DIGITAL INDIA IMPACT': To a question if the government has assessed any impact for past one year on digital adoption of currency, Thakur said no formal assessment to measure the impact of Digital India programme has been conducted by the Ministry of Electronics and Information Technology

'NO PROPOSAL ON TOTAL ELIMINATION OF CASH': On asked if the government proposed total elimination of cash from the market, Thakur said, "No such proposal regarding total elimination of cash from the market is under consideration of the government"

Source: PTI

Despite RBI pause, banks lower MCLR; SBI reduces by 10 bps, HDFC Bank by 15 bps

ENS ECONOMIC BUREAU
MUMBAI, DECEMBER 9

BANKS, LED by State Bank of India (SBI) and HDFC Bank, have started reducing the marginal cost of funds-based lending rate (MCLR), making home, car and other retail loans linked to MCLR cheaper. The reduction comes after the Reserve Bank of India (RBI) left the key policy rate unchanged last Thursday at 5.15 per cent.

SBI, the country's biggest lender, has announced a cut in one-year MCLR rate by 10 basis points (bps). After the latest cut, SBI's one-year MCLR has come down to 7.90 per cent per annum from 8.00 per cent per annum. This is the eighth consecutive cut in MCLR by SBI this fiscal.

"To pass on the benefit of our falling cost of funds to customers, we have reduced MCLR by 10 bps across one-year maturity," a statement from SBI said.

HDFC Bank, the country's largest private sector bank, cut its MCLR on loans for all tenors by up to 15 bps. Last month, HDFC Bank cut its MCLR across tenors by up to 10 bps.

According to the bank's website, the latest interest rate cut will be effective from December 7, 2019. After the latest cut, the six-month MCLR will stand at 8 per cent, down 10 bps, one-year will be at 8.15 per cent (a cut of 15 bps), two-year rate will be at 8.25 per cent (a cut of 15 bps) and the three-year rate will be at 8.35 per cent (down 15 bps).

Meanwhile, Bank of India too revised its one-year MCLR-based lending rates by up to 20 bps across various tenors, effective Tuesday. The state-owned lender has reduced its MCLR for overnight rates by 20 bps while for other tenors the cut is 10 basis points, a *PTI* report quoted a statement by the bank as saying. It added that the overnight rates will stand at 7.75 per cent.

Other banks are also expected to reduce the MCLR in the coming days, bankers said. "The quantum of the reduction will depend on the asset-liability factor," said an analyst.

If the loan is linked to the MCLR rate, the latest cut may not bring down the EMIs immediately as MCLR-based loans typically have a one-year reset clause. For new borrowers, SBI also offers a repo-rate linked home loan scheme.

Under the repo-linked system, interest rates change when the RBI revises the benchmark repo rate.

During the monetary policy press briefing on December 5, RBI Governor Shaktikanta Das said that although it is not in a hurry to keep reducing interest rates, the central bank would work to ensure that transmission turns more effective since much needs to be passed on.

While the RBI had cut repo rates by 135 bps in five policy reviews in 2019, the one-year median MCLR has declined by only 49 bps. The weighted average lending rate (WALR) on fresh rupee loans sanctioned by banks declined by only 44 bps.

3 KEY POINTS

1 After the latest cut, State Bank of India's one-year MCLR has come down to 7.90 per cent per annum from 8.00 per cent per annum. This is the eighth consecutive cut in the marginal cost of funds-based lending rate by SBI this fiscal

2 HDFC Bank cut its MCLR on loans for all tenors by up to 15 bps. Last month, HDFC Bank cut its MCLR across tenors by up to 10 bps

3 While the RBI had cut repo rates by 135 bps in five policy reviews in 2019, the one-year median MCLR has declined by only 49 bps. The weighted average lending rate (WALR) on fresh rupee loans sanctioned by banks declined by only 44 bps

Mutual fund equity inflows fall 84.4% in Nov

ENS ECONOMIC BUREAU
MUMBAI, DECEMBER 9

INFLOWS INTO equity schemes of mutual funds plummeted 84.4 per cent in November, despite stock market indices like Sensex hitting a record peak and foreign investors pumping over Rs 25,000 into the stock market during the month.

Open-ended equity schemes witnessed an infusion of Rs 1,312 crore, while there was an outflow of Rs 379 crore from close-ended equity plans, taking total equity inflows to Rs 933 crore in November as against inflows of Rs 6,015 crore in October, the Association of Mutual Funds in India (AMFI) said on Monday.

However, SIP (systematic investment plan) inflows soared to all-time high of Rs 8,272 crore, up Rs 27 crore from last month's numbers. Total number of SIP accounts climbed further to 2.94 crore, an addition of 5.33 lakh accounts during the month.

The asset under management (AUM) under SIPs in November jumped to Rs 3.12 lakh crore, up from Rs 3.03 lakh crore in October.

NS Venkatesh, CEO, AMFI, said, "Goal-based, long-term SIP investors from retail investors continue to grow steadily, with SIP AUM at an all-time high at Rs 3.12 lakh crore. While equity net inflows have come down sharply in November, partly due to investors booking profits, the overall mutual fund industry AUM reached an all-time high of Rs 27 lakh crore."

The mutual fund industry saw its assets base cross the Rs 27 lakh crore-mark in November-end, on the back of inflows in debt-oriented schemes including banking and PSU funds, which have a high allocation to highest rated bonds.

The AUM of the sector rose from Rs 26.33 lakh crore in October-end to Rs 27.04 lakh crore by November-end, representing a growth of 3 per cent, according to AMFI.

Fund houses witnessed an overall inflow of Rs 54,419 crore last month, as against Rs 1.33 lakh crore in October, a decline of over 59 per cent. Fund managers attributed growth in the asset base to strong inflows of around Rs 51,000 crore in debt-oriented schemes.

Among debt-oriented schemes, overnight funds — which invest in securities with a maturity of one day — received flows worth about Rs 20,650 crore, which was the highest among the fixed-income segment last month.

Apart from this, banking and PSU funds received funds to the tune of Rs 7,230 crore, while Rs 6,938 crore was infused in liquid funds, with investments in cash assets such as treasury bills, certificates of deposit and commercial paper for shorter horizon.

Credit risk funds saw outflows in November, with continuous outflows from this category leading to fall in its AUM. So far in FY20, AUM of credit risk funds have fallen to Rs 63,754 crore from Rs 79,643 in April, a drop of nearly 20 per cent.

Liquid funds — which are used by companies to park surplus cash — saw a massive fall in terms of inflows in November to Rs 6,938 crore, compared to inflows of Rs 93,203 crore in the preceding month.

INDUSTRY'S OVERALL AUM AT ALL-TIME HIGH

■ While equity net inflows fell sharply in November, partly due to investors booking profits, the overall mutual fund industry's AUM hit an all-time high of Rs 27 lakh crore, on the back of inflows in debt-oriented schemes including banking and PSU funds, which have a high allocation to highest rated bonds

■ Open-ended equity schemes witnessed an infusion of Rs 1,312 crore, while there was an outflow of Rs 379 crore from close-ended equity plans, taking total equity inflows to Rs 933 crore in November as against inflows of Rs 6,015 crore in October, the Association of Mutual Funds in India said

'Q3FY20: Growth in rural farm wages falls to four-quarter low'

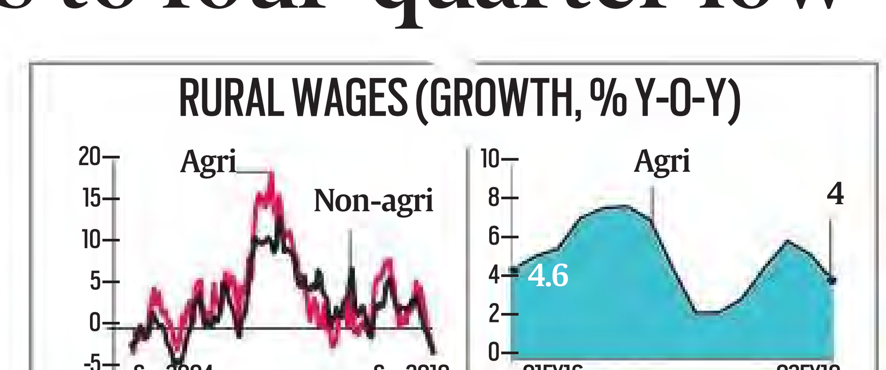
ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 9

WAGE GROWTH for rural agricultural labourers slipped to a four-quarter low of 4 per cent in the third quarter of the current fiscal, a Nomura report has said, in what could cement the perception that a revival of the demand in the economy is getting delayed.

The rural agriculture wage growth fell sharply from 5 per cent in July to apparently negative territory in September, ahead of the Diwali season. Rural agri wages — a significant proxy for consumption demand — had grown at 5.4 per cent in Q2FY20, 6.1 per cent in Q1FY20, 4.7 per cent in Q4FY19 and 3.1 per cent in Q3FY19.

Stating that consumption demand was still in the red, Nomura said, "Among less cyclical indicators, diesel consumption and rural wages continue to disappoint, suggesting endemic weakness persisting in urban and rural segments." It added that data on investment demand remained lacklustre too, with all indicators significantly worse in October.

While a further deterioration was seen in railway traffic on a net tonne/km basis — the annual growth in this segment plunged from 0.9 per cent in Q2FY20 to (-)7 per cent in Q3 — the volatile public capex slowed sharply. "After 2016, there has been hardly any growth in rural wages. So, it's a picture of stagnant rural wages," former Planning Commission member Abhijit Sen said. **FE**



Source: CEIC and Nomura Global Economics

FORMER US FEDERAL RESERVE CHAIRMAN PASSES AWAY AT 92

Inflation tamer, inspiration for 'Volcker rule' during 2008 crisis

DANIEL TROTTA & JONATHAN SPICER
WASHINGTON, DECEMBER 9

PAUL VOLCKER, the towering former Federal Reserve chairman who tamed US inflation in the 1980s and decades later inspired tough Wall Street reforms in the wake of the global financial crisis, died Monday at the age of 92, his daughter Janice Zima said.

Volcker, who Zima said had been suffering from prostate cancer, was the first to bring celebrity status to the job of US central banker, serving as chairman of the Fed from 1979 to 1987. As with the man who succeeded him, Alan Greenspan, Volcker could soothe or excite financial markets with just a vague murmur. In 2018, he published a memoir, "Keeping at It: The Quest for Sound Money and Good Government," and expressed concern about the direction of the federal government and the loss of respect for it.

"The central issue is we're developing into a plutocracy," he told *The New York Times* in October 2018. "We've got an enormous number of enormously rich people that have convinced themselves that they're rich because they're smart and constructive. And they don't like government and they don't like to pay taxes."

In 2009, Volcker began serving as a key financial adviser to President Barack Obama and faced a maelstrom of financial turmoil, government bailouts and fallout from the deepest recession since the 1930s Great Depression.

In working to help the US economy recover from the 2008 crisis, he proposed what became known as the Volcker rule that restricted banks from making high-risk investments with depositors' cash. Since Donald Trump, who favors fewer regulations, became president in 2017, the rule has been under review.

Volcker stood 6-foot-8, smoked cheap cigars, wore old suits and spoke with a rumbling baritone, creating a mystique that intimidated congressmen and even presidents. Part of his aura was due to the Fed's unusual nature — the central bank's governors, although appointed by the president and overseen by Congress, are effectively answerable to no one. In 2018, when Trump regularly attacked the Fed as "crazy" for raising rates, Volcker advised Chairman Jerome Powell to simply ignore the criticism.

Volcker, who slammed the economy's brakes like no other Fed chair, also absorbed his share of barbs from lawmakers in the 1980s. But he faced down both that criticism and, ultimately, inflation that had spiked higher than any point since the 1940s.

Many have credited that effort for setting the stage for steady economic growth and a long bull market that since the early 1990s brought prosperity to millions of Americans. Yet critics say he also pushed the US into an unnecessarily severe recession in 1981-82.

Volcker was appointed Fed chairman by a Democratic president, Jimmy Carter, and then reappointed by a Republican, Ronald Reagan. He was only a few months into the job when on October 6, 1979, he announced a 1-point rise in the discount interest rate to an all-time high of 12 per cent. **REUTERS**

PAUL VOLCKER
1935-2015

'US seals demise of WTO appeals bench'

REUTERS
GENEVA, DECEMBER 9

THE FATE of the World Trade Organization's top court was effectively sealed on Monday after the United States said it would not back a proposal to allow it to continue, trade officials said.

The Trump administration has been blocking appointments to the WTO's seven-member Appellate Body that rules on trade disputes for over two years, with US officials saying the court had gone beyond its remit. The Appellate Body needs a minimum of three judges to function but the terms of two of the three remaining members of the appeals panel expire on Tuesday and there are no replacements in sight because of the US blocking strategy.

Another attempt was made on Monday to reach a consensus. But the US Ambassador to the WTO, Dennis Shea, said other members had not addressed Washington's concerns about what he called the court's "overreach" and "disregard" of WTO rules.

Shea said in a speech, the text of which was released by the US mission, that the United States did not support the proposal to start filling Appellate Body positions.

Much of the US displeasure stems from how the WTO has tied its hands in dealing with China. In binding rulings, WTO judges have given Beijing the benefit of the doubt on subsidies. One Asian ambassador said: "The US said it can't join a consensus. We'll be writing the obituaries."