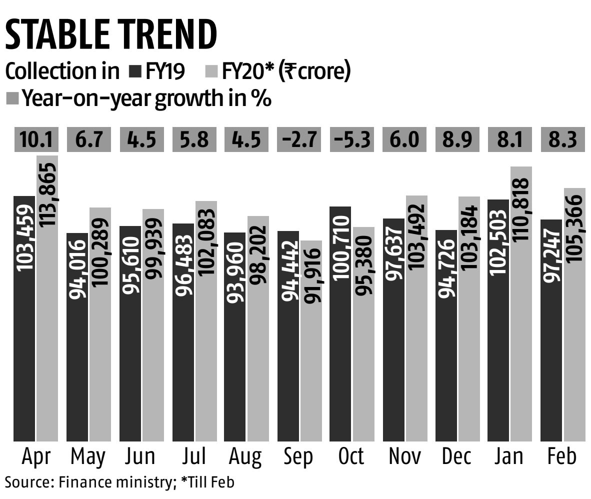
GST mop-up over ₹1 trillion for four months in a row

At ₹1.05 trn, Feb collections a tad lower than ₹1.1 trn in Jan

INDIVJAL DHASMANA
New Delhi, 1 March



Source: Finance ministry; *Till Feb

Goods and Services Tax (GST) collection crossed the ₹1-trillion-mark for the fourth month in a row in February at ₹1.05 trillion. The GST collection, which grew 8.3 per cent year-on-year (y-o-y) in the month, was a tad lower than ₹1.10 trillion mopped up in the previous month.

GST collection had grown 8.1 per cent y-o-y in January. The mop-up could have been much higher, but tax on imports fell 2 per cent y-o-y. However, experts ruled out the impact of the coronavirus outbreak in China on imports since these are contracted three months in advance.

The earlier GST collection target for FY20 required January and February mop-up to be at ₹1.15 trillion each and that for March to be at ₹1.25 trillion. However, the Centre truncated the target for its part of the GST, compensation cess and integrated GST by ₹51,000 crore in the revised estimates for FY20.

The collections have exceeded ₹1-trillion-mark each month since November. However, experts said it could be due to blockage of input credits. "One will have to see how much of it is due to restriction and blockage of input credits, which has been happening in the last three months or so," said Pratik Jain, partner PwC.

He said the GST Council should look into this since it could lead to a fall in the GST collections later.

M S Mani, partner at Deloitte India, said the February figures reflected significant ground level measures taken in the past few months. "With e-invoicing and new returns on the anvil, the collections are now expected to continue with the stable trend," he said.

Of total GST, Central Goods and Services Tax (CGST) fetched ₹20,569 crore in February, slightly lower than ₹20,944 crore in January. The State Goods and Services (SGST) collections stood at ₹27,348 crore, less than ₹28,224 crore in the previous month.

Integrated Goods and Services Tax (IGST) yielded ₹48,503 crore in the month, down from ₹53,013 crore in January. Within IGST, the portion from imports fell to ₹20,745 crore, from ₹23,481 crore in January.

Compensation cess was at ₹8,947 crore, higher than ₹8,637 crore in the previous month.

Abhishek Jain, partner at EY, said the GST collections continuing at above the ₹1-trillion-mark is an encouraging sign for the Indian economy.

The government has settled ₹22,586 crore to CGST and ₹16,553 crore to SGST from IGST as regular settlement. The total revenue earned by the Centre and the states after regular settlement stood at ₹43,155 crore and ₹43,901 crore, respectively, for the month.

The GST revenue from domestic transactions showed a growth of 12 per cent y-o-y in February. Taking into account the GST collected from import of goods, the total revenue increased by 8 per cent on the yearly basis.

DBT, GST silent revolutions that we can show off to the world, says FM

'Bring in more efficient and adaptive tech to further smoothen working of PFMS'

PRESS TRUST OF INDIA
New Delhi, 1 March

"THIS IS THE BIGGEST REVOLUTION. THE ₹1 TRILLION YOU HAVE SAVED THROUGH DBT, THESE ARE NOT JUST SYMBOLIC. THE ₹1 TRILLION BEING SAVED FOR THE PUBLIC (IS) BY EFFICIENT USE OF TECHNOLOGY WITHOUT MAKING ANYONE FEEL SORRY"
Nirmala Sitharaman,
Finance Minister

Finance Minister Nirmala Sitharaman on Sunday asked civil accounts officers to focus on bringing in more efficient and adaptive technologies to further smoothen the working of the Public Financial Management System (PFMS). Speaking at a function to mark the 44th Civil Accounts Day, she said there is so much more to be accomplished and officers need to be responsive to the changes.

The minister further said the officers are not only competent accounts persons, but also competent technology professionals.

"Even as we are talking of technology, that itself is a challenge. Everyday it changes, newer versions come in, rapid changes are happening and therefore to keep on top of it is a big exercise. You have to constantly keep changing the milepost, bring in more and more efficiency and adaptive technology," Sitharaman said.

She also said that they have "revolutionised" technology-driven PFMS and it has empowered India to be accountable, responsive and transparent. "Today all over the world DBT (direct benefit transfer) and GST (Goods and Services Tax) are being talked about as one of the silent revolution that democracy can show off to the world," the minister added.

She said the officers have shown that public finance is not opaque, but efficient and responsive to the public.

"This is the biggest revolution. The ₹1 trillion you have saved through DBT, these are not just symbolic. The ₹1 trillion being saved for the public (is) by efficient use of technology without making anyone feel sorry," she said.

Through efficient use of technology, this service has proven that corruption and wrongdoing can be removed from the system, she added.

PFMS is designed to help the government agencies for processing payments, tracking, monitoring, accounting and reconciliation.

It tracks funds disbursement and ensures that state treasuries are integrated with the Centre to ensure money is sent as and when required.

Speaking at the function, Expenditure Secretary T V Somanathan said integration of PFMS with railways, defence and postal service needs to be taken forward and the officers should expeditiously implement further ongoing initiatives so that it realises its full potential.

"I would like to draw your attention to huge volumes of data PFMS have within it which can be effectively use to improve the quality of expenditure," he said.

He added greater attention is required to ensure timely payments.

Expenditure payments and tax refunds should be paid promptly without any kind of unnecessary delay, he said.

"I am aware that in most of these systems, there are multiple agencies involved and you are often at the tail end and the delay can be for various reasons beyond your control, but there is one element of the system which is in your control and what I would like you to do is to make sure that, that element of system is never a source of delay or complaint," he added.

He asked the officers to be very responsive to complaints received with regard to payment delays.

Traders unhappy with Centre, says CAIT

SUBHAYAN CHAKRABORTY
New Delhi, 1 March


The CAIT said that despite several problems caused by demonetisation, traders supported the government in its efforts to fight black money

The Confederation of All India Traders (CAIT), in a reversal from its earlier stand, has announced that traders have become disillusioned with the government. It has attributed its displeasure to the economic downturn, and indifferent attitude of ministers/officials towards domestic trade.

Consequently, the CAIT has called a meeting of the National Governing Council in Patna on March 5-6, to deliberate on the current business scenario and decide on its future strategy. Bihar is set to go to polls this year.

"After the BJP government came to power, traders had great hope that the attitude of the government towards traders would change. However, nothing has changed and traders remain neglected as ever before," it said in a statement on Sunday.

It added that traders remain "very impressed with Modi's positive attitude and thinking towards the traders and small industries".

Over the past 6 years, CAIT has repeatedly backed the BJP in state and national elections, and has become an instrumental player in the corridors of power, lobbying keenly on policies governing retail, e-commerce, and foreign direct investments, among others.

B C Bhartia, national president of CAIT, and Praveen Khandelwal, secretary general, said the executive wing of the government is intentionally neglecting traders' issues. Traders say the CAIT and other organisations had led several campaigns across the country to support Prime Minister Narendra Modi's policies — including Digital India, Skill India, adoption of digital payments, and GST.

Stepping up its attack, the CAIT also said that despite several problems caused by demonetisation, traders supported the government in its efforts to fight black money.

CAIT has issued a long list of demands that remain pending. On GST, it has pointed out that the system has become very complicated, duplicitous, and inefficient, calling it "mental torture".

On the contentious issue of e-commerce, it has once again trained its guns on global digital giants, alleging that these are "destroying and devastating domestic trade", and continue their alleged unethical business practices despite repeated warnings by the government.

It also called out the Enforcement Directorate for not releasing its report on the matter, two years after the body began probing certain e-commerce entities. Further, it argues that foreign direct investment norms continue to be violated. CAIT has also criticised Modi for the management of the Mudra scheme.

"It is true that trillions of rupees have been disbursed under the Mudra Yojana, but it is also a fact that the beneficiaries for whom the Mudra Yojana was introduced didn't get the loan. This is why non-performing assets are increasing," it said.

Khandelwal said there were fears over Modi not being given correct feedback about trade and business issues. He added that the contribution of the corporate sector to GDP remained a low 15 per cent, despite the attention given by ministers.

A lot of unutilised space in insurance for FDI

SUBHOMOY BHATTACHARJEE
New Delhi, 1 March

HEADROOM FOR FOREIGN PARTNERS
As on March 31 of respective years (₹ crore)

	Total equity of life insurers	Share of foreign investor	In per cent	Total equity of general, health and re-insurers	Share of foreign investor	In per cent
2015	26,239.55			11,504.31		
2016	26,691.46	7,498.63	**28.09**	12,064.77	2,462.99	**19.54**
2017	26,956.94	9,353.32	**34.70**	13,127.83	3,503.54	**26.69**
2018	27,164.38	9,565.95	**35.09**	14,970.69	3,805.30	**25.42**
2019	27,515.94	9,764.20	**35.49**	17,664.00	4,045.63	**23.66**

Source: IRDAI

The stagnant share of foreign investment in insurance companies has prompted the government to defer raising the limit in the sector to 74 per cent from 49 per cent now.

As the table shows, there is headroom for foreign partners in both the life and non-life sectors within the current limits. This is the list shared by the sector regulator, the Insurance Regulatory Authority of India (IRDAI), with the finance ministry before the Budget.

Both the finance ministry and IRDAI had talks on this with the companies in the run up to Budget 2020-21.

"We did get representations to raise the limit, but the data does not support those," said a senior official of the sector. There have also been strong representations from US business interests supporting the move to raise the insurance foreign investment limit.

After the Budget made no mention of it, the influential US-India Strategic Partnership Forum expressed disappointment.

Speaking at a recent event on the India-USA trade dialogue, Sanjay Chadha, additional secretary, ministry of commerce, said raising the foreign investment limit was a key issue of difference between New Delhi and Washington DC.

As of March last year, in the life insurance sector, for instance, against the 49 per cent limit of permissible foreign investment, the aggregate foreign investment is 35.49 per cent.

It is almost unchanged from what it was a year ago. Of the 23 private sector companies in the sector, 12 have space for more investment in the sector. This includes leaders like Bajaj Allianz Life, HDFC Life, and ICICI Prudential.

In the case of general, reinsurance, and standalone health insurance companies the utilisation percentage of the space for foreign investment is worse. The aggregate space for foreign investment has been utilised to less than half the permissible limit. It has gone down from the level of March 2018, when it was 25.42 per cent, to 23.66 per cent.

Again, a perusal of the list of the 28 private-sector companies shows only six have used up their limit of 49 per cent. These are Max Bupa, Cigna, and Aditya Birla among health insurers and Bharti Axa, Iffco-Tokio and Raheja QBE.

Bank credit growth dips to 8.5% in Jan: RBI data

PRESS TRUST OF INDIA
Mumbai, 1 March

Bank credit growth declined to 8.5 per cent in January from 13.5 per cent in the year-ago period led by a sharp slowdown in loans to the services sector, according to RBI data.

Growth in advances to the services sector decelerated to 8.9 per cent from 23.9 per cent in January 2019. Bank loan growth to non-banking financial companies (NBFCs) slowed to 32.2 per cent in the reporting month from a growth of 48.3 per cent a year-ago. During the month, personal loans segment grew by 16.9 per cent. Within personal loans, credit to housing segment grew by 17.5 per cent from 18.4 per cent, while education loan showed a negative growth of 3.1 per cent as against a negative growth of 2.3 per cent in January 2019, RBI data showed.

Advances growth to agriculture and allied activities contracted to 6.5 per cent from 7.6 per cent rise last year.

Credit growth to industry decelerated to 2.5 per cent from 5.2 per cent.

Within industry, loan growth to paper and paper products, rubber plastic and their products and construction accelerated.

"However, credit growth to textile, food processing, chemical & chemical products, basic metal & metal products, all engineering and infrastructure decelerated," the RBI said.

According to the latest quarterly statistics on deposits and credit of banks, bank loan growth decelerated to 7.4 per cent in the October-December, 2019 from 12.9 per cent the year-ago quarter.

During the quarter, loans by public sector banks grew by 3.7 per cent while credit from private sector banks saw a growth of 13.1 per cent.

In the fortnight ended February 14, 2020, bank credit grew by 6.3 per cent to ₹100.41 trillion, from ₹94.403 trillion in the year-ago fortnight. Deposits grew by 9.2 per cent to ₹132.35 trillion in the fortnight compared to ₹121.19 trillion, the RBI data showed. In February, the RBI governor Shaktikanta Das had said that slowing credit growth is the biggest challenge the banking industry is facing.

"The most critical challenge today for banks, not just in India but also elsewhere, is slowing credit off-take. It affects the profitability of banks," Das said.

Crisil, in a recent note, said credit growth is likely to be around 6 per cent in this fiscal but is expected to accelerate to 8-9 per cent in FY21.

"Prolonged slowdown in bank lending may be bottoming out this fiscal, with gross credit off-take set to rise 8-9 per cent on-year in FY21, a good 200-300 basis points (bps) over the likely growth of near 6 per cent this fiscal," Crisil said.

This uptick in loan growth would be driven by a gradual pick-up in economic activity, continuing demand for retail loans, and strong growth in lending by private sector banks, it said.

The ground report: Inside Mumbai's under-river metro tunnel


The underground tunnel of Mumbai Metro Line 3 project that passes under the Mithi river PHOTO: PTI

AMRITHA PILLAY
Mumbai, 1 March

There is a steady clanking of metal chains. Labourers are busy at work, fixing disc cutters onto Tansa, under Mumbai's Mithi river. About 24 kilometres away, near Mumbai's Taj Vivanta, is Surya, tasked with another tunneling work.

Surya and Tansa are part of a fleet of tunnel boring machines (TBM), requisitioned for the ₹30,000-crore underground transit network — the third line of the Mumbai Metro.

At the southern-most end of the city, Cuffe Parade metro station is under construction opposite Taj President. Temporary scaffolding is used to reach 23 metres beneath the base level, where metro rail tracks will be laid. This station will be similar to the Chhatrapati Shivaji Maharaj Terminus (CST), as metro trains will terminate and start here. To facilitate this, two tunnels of 200 metres each have been constructed.

Engineers at the site say tunnels are being made using the new Austrian tunneling method, different from TBMs, and cheaper. TBM Surya is at work on the opposite end, boring a tunnel that will connect Cuffe Parade metro station to 25 other stations on metro line 3, including the Bandra Kurla Complex (BKC) station.

The target now is to complete the Cuffe Parade station by June 2022, a 10-month delay from the initially expected timeline. "There are various challenges, one of them is that we need to wait for lean traffic hours to move heavy material and equipment," said an engineer.

Moving materials in Mumbai's traffic, keeping Mithi's water out of the metro tunnels and meeting a deadline, initially set for 2021, are few of the many challenges for city planners. Kolkata, too, in February, got a second phase of its metro system, which includes tunnels under the Hooghly river.

The BKC station is part of the work package that includes construction of two tunnels passing under the Mithi. Around 1.1 km stretch of this tunnel will run under the river bed, with about 250 metres under the water channel and 70 metres under an active water channel.

The tunnel can be accessed through an 18-metre descend using temporary scaffolding and a ride in a makeshift rake, operated over temporary tracks. Usage of special gaskets to line segments of this tunnel, ensure water from the river does not enter it.

At the other end of this tunnel, where Tansa TBM is deployed. The Tansa is stationed there to bore its way out towards the Dharavi-end. The breakthrough is expected by middle of March. "The 42 disc cutters on TBMs need to be regularly serviced. The labourers are servicing it today," said one of the engineers present there.

The BKC station is planned to be a three-line station, two lines for regular operations and the third to allow reversing of trains. For every two trains that come from Cuffe Parade to BKC, one would be reversed to Cuffe Parade and one will continue ahead northwards. This planned station is expected to be an intersection for two different metro lines and will allow scope for direct connection to the proposed bullet train network.

It takes more than an hour to reach the under-construction BKC station from Cuffe Parade, a 24 km journey. Once Surya, Tansa and other TBMs complete their work, city authorities say the travel time will be shorter. For now the wait extends to 2021 for the north stretch of metro line 3, while the second stretch towards Cuffe Parade may take longer.