



## **ATM transactions may get costlier as operators seek hike in inter-bank fees**

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In a move that might potentially add some more burden on the common man, the automated teller machine (ATM) operators, especially those of the private banks, are demanding a raise in inter-bank charges for ATM transactions, citing demonetisation, an increased cost of operating the channel, and fewer withdrawals.

The representation is being led by the National Payments Corp of India (NPCI) after meetings were conducted separately for private and public sector lenders.

The inter-bank fee is charged by one bank from another for use of its ATMs by the customers of the other. Any raise in this leads to increased cost burden for banks with smaller ATM networks. If banks pass on part of this cost to consumers, the number of free ATM transactions they are allowed to make in a month at their bank or other banks' ATMs might get reworked.

According to a Livemint report, the demand for raising the rate is being led primarily by private sector banks. Some large public sector banks are against an increase as it would lead to higher costs for them.

A banker from one such large public sector bank was quoted as saying that their charges were already high and if they increased it further, they would be bound to lose. Once they have ascertained the costs, they would discuss it with the stakeholders and fix the rate, he added.

The banker said because private sector banks started putting up ATMs before the public sector ones, the former have a locational advantage but he admitted that the security charges and recalibration of machines due to the issue of new currency notes have led to additional costs for all banks.

Following demonetisation of high-value currency notes and the increase in digital transactions, ATM usage has declined drastically, leading several banks to rationalise their ATM network.

Another reason for seeking the fee hike is that ATM companies are now under stress and think that the management of the machines have increased and not much deployment is happening.

A banker from Union Bank of India was quoted as saying that even though minimum wages of security guards or monitoring charges had shot up, the inter-bank charges had remained the same. The increase they were seeking was marginal, he added.

## **Tax evasion? Government gets just Rs 250 crore from 6 lakh small firms**

**This means their average sales are Rs 8 lakh a year, but firms with turnover below Rs 20 lakh don't need to file anyway**

By: Sumit Jha | New Delhi | December 30, 2017



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Goods and services tax (GST) tax returns filed for the July to September 2017 period by firms under the 'composition' scheme suggest there is massive tax theft by smaller taxpayers.

The composition scheme is a special one to make GST filing easier for small firms; apart from simpler tax procedures, the returns have to be filed once a quarter. To that extent, the government's plan to bring in the e-way bill and other ways to plug tax theft are quite justified. While there are roughly 15 lakh small firms registered under the composition scheme today, the number was around 10-11 lakh in September.

Of these firms, around six lakh filed their returns for July-September by December 24. The total tax they paid was around ` 250 crore. Assuming a 2% tax incidence on their turnover — it is 1% for traders, 2% for manufacturers and 5% for restaurants — this means these firms had an average turnover of Rs 2 lakh in that period, or Rs 8 lakh for the full year if you annualise the data.

The problem, however, is that firms that have a turnover of less than Rs 20 lakh a year, don't even need to pay GST or file returns. In other words, these firms are understating their returns in a big way.

"The government would need to audit some of these companies to find out why firms with small turnover even registered for the composition scheme, given that buyers don't even get any credit for purchases made from 'composition' dealers," says Abhishek Jain, a partner at EY.

In an attempt to make GST filing easier, most politicians/analysts want the limit for the composition scheme to be hiked. While the turnover limit was Rs 75 lakh earlier, it was raised to Rs 1 crore in October and to Rs 1.5 crore in November.

The tax rate for manufacturers was even lowered to 1%. However, these provisions are applicable only from the January to March 2018 quarter. And firms that have a turnover of below Rs 20 lakh a year don't have to pay any tax at all.

This data, however, suggest there is no need to hike the composition scheme limit at all. Indeed, the limit may even need to be reduced to prevent such rampant abuse. Tax officials suspect large-scale evasion in the form of under-reporting of sales and overstatement of credit claims.

But since the GST Council has suspended the invoice-matching mechanism till March, the department is deprived of any meaningful tool to identify revenue leakages.

GST revenue in November declined for the second straight month to just over Rs 80,000 crore, lower than the October collection of Rs 83,000 crore. The average mop-up in the first three months of GST was around ~92,000 crore.

## **Creditors must take haircuts to end bankruptcy: Arun Jaitley**

### **Lok Sabha passes Insolvency and Bankruptcy Code Amendment Bill**

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Loan defaulters can participate in bidding under the insolvency proceedings after paying due interest and making their bad loan accounts operational, Finance Minister Arun Jaitley (pictured) said on Friday.

The government cannot allow loan defaulters to “merrily walk back” by paying a fraction of the due amount, he said while replying to a debate in the Lok Sabha on the Insolvency and Bankruptcy Code Amendment Bill, 2017, later passed by voice vote.

Banks and creditors would need to take a “haircut” on their bad loans, even as defaulting promoters could make their businesses operational again by paying the outstanding interest on the loan. An ineligibility criteria was required to keep promoters responsible for non-performing assets (NPAs) from coming back to take over the company. Jaitley clarified that management was not barred from making a unit operational if it paid the outstanding interest on the stressed loan.

“No one is being barred for life and neither are we asking that you pay the whole amount. Just pay the interest and make the account operational,” he said

# **Banks to refer 25 firms on RBI's second list to NCLT**

Videocon, Anrak Aluminium, Jayaswal Neco Industries among total 28 firms on list

Dec 29 2017. Gopika Gopakumar / Alekh Archana, LIVEMINT

Lenders have decided to refer 25 of 28 companies on the Reserve Bank of India's second list of large corporate defaulters to the National Company Law Tribunal (NCLT) for initiation of insolvency proceedings.

Among the 28 companies are Videocon Industries, Anrak Aluminium and Jayaswal Neco Industries, companies where bankers had sought an extension in deadline to finalize a resolution plan.

These 28 companies are on RBI's second list of defaulters sent to banks in late August.

The central bank directed banks to finalize resolution plans for them by 13 December, failing which they had to refer them to NCLT by December end.

The central bank, in its letter to banks, clarified it has not extended the 13 December deadline to favour a few cases, according to three people with knowledge of the matter. Mint has not reviewed the letter.

RBI sent its first list of 12 large defaulters to banks in June. Its second list of troubled firms accounts for Rs2 trillion in bad loans.

To be sure, petitions under the Insolvency and Bankruptcy Code have been filed against some companies on the list such as Ruchi Soya, Nagarjuna Oil, IVRCL, Orchid Pharma and Castex Technologies.

Accordingly, a total of 25 cases will undergo insolvency proceedings, according to the people cited above who did not want to be identified. In the case of Videocon Industries, consortium leader State Bank of India (SBI) was awaiting a rating before finalizing a resolution plan.

Venugopal Dhoot, chairman and managing director of Videocon, said the total debt of Videocon Industries and Videocon Telecommunications that will be referred to NCLT stands at Rs22,000 crore.

"Considering the strong brand portfolio, large manufacturing base and very wide distribution network, we feel the business is very valuable and will fetch good valuation for lenders," Dhoot said.

In the case of Anrak Aluminium, lenders were looking at a one-time settlement, which has been rejected by the regulator.

An email sent to Anrak Aluminium did not elicit any response at the time of going to press.

Jaiprakash Associates, BILT Graphic Paper Products Ltd and Soma Enterprises are the only companies where banks have finalized a resolution outside NCLT.

In the case of Jaiprakash Associates, lead banker ICICI Bank Ltd has been in talks with promoters to sell assets and repay debt. The plan involves deep restructuring of the account. Stand-alone debt of the company stood at Rs25,587 crore as of end March.

Lenders, therefore, expect the regulator to give its approval for a resolution package.

In these three cases, while RBI has given its go-ahead to a resolution plan, its approval is conditional on lenders meeting certain requirements before 31 December, said one of the three people cited above.

“The decision to not extend the deadline shows the firm stance of the regulator to resolve the distress in the system. But one has to watch how the timelines are met. First, we will have to watch out for the timelines because IBC cases in RBI’s first list are struggling to meet the 180-day deadline and have sought approval for an additional 90 days to finalize resolution plans. Second, the IBC ordinance has shrunk the pool of resolution applicants, and this could prove challenging in resolving cases in the second list,” said Aashit Shah, partner at law firm J. Sagar Associates.

## **No plans to waive corporate loans; banks should resolve stressed accounts or start insolvency proceedings: Govt**

***The RBI has asked certain banks referring 12 accounts with fund and non-fund based outstanding amount more than Rs 5,000 crore and with 60 per cent or more as non-performing by March 2016 to start insolvency process, Minister of State for Finance Shiv Pratap Shukla said***

***Shiv Pratap Shukla was replying to a question if the government has taken note on nation-wide strike by bank employees against various moves, including increase in bank charges, merger of banks and waiver of corporate loans***

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THE  NEW  
**INDIAN EXPRESS**

The government on Friday said it has no plans to waive corporate loan and banks are advised to resolve stressed accounts speedily or start insolvency proceedings case by case. "No proposal for waiver of corporate loan is under consideration of the government," Minister of State for Finance Shiv Pratap Shukla said in a written reply to the Lok Sabha.

He was replying to a question if the government has taken note on nation-wide strike by bank employees against various moves, including increase in bank charges, merger of banks and waiver of corporate loans. Referring to the data from National Company Law Tribunal (NCLT), the minister said 2,434 fresh cases have been filed before NCLT till November 30, 2017 and 2,304 cases of winding up of companies have been transferred from various High Courts since the enactment of the Insolvency and Bankruptcy Code, 2016.

Of these, 2,750 cases have been disposed of and 1,988 cases were pending by the end of November, he added. The RBI has asked certain banks referring 12 accounts with fund and non-fund based outstanding amount more than Rs 5,000 crore and with 60 per cent or more as non-performing by March 2016 to start insolvency process, the minister said.

These 12 accounts constituted about 25 per cent of the gross non-performing assets (NPAs) of the banking system. Public sector banks had bad loans of Rs 7.34 lakh crore by the end of second quarter, a bulk of which came from corporate defaulters, according to the Reserve Bank.

On the other hand private sector banks' non-performing assets (NPAs) were considerably low at Rs 1.03 lakh crore by September 30.

Shukla said the Reserve Bank has given banks operational freedom in dispensation of their credit related matters and banks are free to extend unsecured advances to borrowers. The stressed advances ratio of the banks fell to 11.75 per cent by September-end from 12.1 per cent by the end of June this year, the minister said.

While, the restructured advances ratio declined from 2.1 per cent (end-September) to 1.91 per cent (end-June).

## **Forced insolvencies to save Punjab National Bank from large hair cuts**

**The country's soured-debt ratio is the worst among the world's largest economies, data compiled by the IMF show**

Bloomberg January 1, 2018

Punjab National Bank, India's second-largest state-run lender, will be able to avoid massive losses after the government forced delinquent borrowers to repay loans or face liquidation proceedings under a new law.

The interest and bids received so far for assets put up for sale by India's new bankruptcy court indicates that the bank may not have to take "huge haircuts" and cases will be resolved quickly, Sunil Mehta, managing director of the state-run bank, said in an interview over the weekend. He did not give details.

The new insolvency law "will give a good message that if you do not meet your financial commitments you will not be able to retain your assets", Mehta said.

The government and the Reserve Bank of India are taking unprecedented measures to clean up \$207 billion of stressed loans and support lending that's begun to revive from a 30-year low. India's central bank has asked commercial lenders to resolve bad loans at 40 of the biggest defaulters within a year. Overdue borrowings have hampered investments and slowed growth in Asia's third-largest economy.

On its part, the government will infuse Rs 2.11 trillion (\$33 billion) into cash-strapped banks to rescue them. Under the proposal, it will sell Rs 1.35 trillion of recapitalisation bonds, while banks will raise another Rs 760 billion through resources from the federal Budget and the markets.



Punjab National doesn't need to take part in the recapitalisation programme as the lender is "adequately capitalised for 2018-19", Mehta said. "If I want to go for future business I may require."

In the first list of 12 cases referred to the National Company Law Tribunal by the central bank, nine are Punjab National's clients while in the second list, it has lent Rs 65 billion to 20 out of 28 companies.

"None of the cases that RBI had asked lenders to refer to insolvency court have been resolved so far," Rethish Varma, a Bengaluru-based researcher at MarketSmith India, said by phone. "Until we see some of these large delinquent accounts getting resolved, investors will remain sceptical about size of the haircuts."

Punjab National's shares, which gained 49 per cent last year, lost one per cent to Rs 169.75 in Mumbai.

The country's soured-debt ratio is the worst among the world's largest economies, data compiled by the International Monetary Fund show. State-run banks account for almost 90 per cent of all non-performing loans in the South Asian nation, according to Credit Suisse Group AG data.

## **Over 25,800 online banking fraud cases reported in 2017, says Government**

[PTI](#)

NEW DELHI , DECEMBER 29, 2017

**THE  HINDU**

***In 2016, 3,156 cases and 4,147 cases were registered in the September and December quarters, respectively***

Over 25,800 fraud cases involving about Rs. 179 crore related to credit/debit cards and Internet Banking were reported in 2017 (up to December 21), Parliament was informed on Friday.

"As per the data provided by Reserve Bank of India (RBI) on frauds related to ATM/Credit/Debit cards and net banking as reported by the

banks, 10,220 cases of fraud were reported in the December 2017 quarter (up to December 21)," Information Technology Minister Ravi Shankar Prasad said in a written reply to the Rajya Sabha.

The amount involved was Rs 111.85 crore in the said quarter, he added.

Mr. Prasad said 7,372 cases were reported in September quarter, 5,148 cases in June quarter and 3,077 cases in March quarter of 2017, with the amount involved adding to Rs. 67.13 crore.

In 2016, 3,156 cases and 4,147 cases were registered in the September and December quarters, respectively.

The amount involved — in these two quarter was — Rs. 45.50 crore, the minister said.

As per the state-wise details of frauds involving amount of over Rs. 1 lakh, Maharashtra topped the list of credit/debit card and Internet banking-related frauds in the fiscal 2016-17 with 380 cases involving Rs. 12.10 crore.

Haryana ranked second with 238 cases (Rs. 8.27 crore), followed by Karnataka (221 cases worth Rs. 9.16 crore), Tamil Nadu (208 cases worth Rs. 4.38 crore) and Delhi (156 cases worth Rs. 3.43 crore).

<b>AIBEA THIS DAY – 2 JANUARY</b>	
<b>1978</b>	<b>Non Co-operation Movement launched on 3<sup>rd</sup> Bipartite demands and refusal by the Government to concede the same.</b>
<b>2001</b>	<b>24<sup>th</sup> Conference AIBEA concluded successfully. S.D Dhopeswarkar , Tarakeswar Chackraborti and C H Venkatachalam elected President, General Secretary and Secretary.</b>

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