

## Daily Economic News Summary: 2nd December 2016

### 1. GST roll-out by September 2017 is a constitutional compulsion: Arun Jaitley

Source: Live Mint ([Link](#))

Union finance minister Arun Jaitley on Friday said that there is a constitutional compulsion to implement the Goods and Services Tax (GST) within its deadline and its implementation cannot be delayed beyond September 2017. Speaking at the Hindustan Times Leadership Summit in New Delhi, Arun Jaitley said the GST notification came on 16 September 2016, so by 15 September 2017, “If we don’t have the GST, we can have no tax at all”. He said, it’s a “constitutional compulsion” to implement the GST by September. Arun Jaitley said the demonetization move along with the GST will help the country’s gross domestic product (GDP) to grow bigger, arresting concerns from certain section of industry and political parties on its long-term impact on the economy. “Demonetization plus GST means bigger economy, and higher and better GDP,” Jaitley said. He said both the moves will lead to a cleaner tax system in the country. A bigger tax base means a better tax structure, Arun Jaitley said, adding that he has already talked about moderating the corporate tax structure in his previous Union budget.

### 2. RBI looks to limit banks’ bad loan risks

Source: Live Mint ([Link](#))

The Reserve Bank of India (RBI) on Thursday said it would cap banks’ exposure to a group of connected companies at 25% of the lenders’ core capital, seeking to reduce concentration risk in a banking industry laden with bad loans. The central bank lowered the limit from 40% of the bank’s total capital funds, which include both Tier 1 (core) and Tier 2 capital, and gave banks until 2019 to meet the new norm. In the case of an individual company, this limit would be changed to 20% of Tier 1 capital, compared with 15% of total capital funds currently, RBI said in a statement. Tier 1 capital is the core measure of a bank’s financial strength, and consists mainly of common stock and disclosed reserves (or retained earnings). Tier 2 capitals are composed of revaluation reserves, undisclosed reserves and hybrid instrument, among others.

The new limits will be applicable starting 1 April 2019, the RBI said. They follow a set of draft guidelines which the banking regulator had unveiled in August. “All aspects of the LE (large exposure) Framework must be implemented in full by March 31, 2019 and the extant exposure norms applicable to single/group of connected counterparties will no longer be applicable from

that date. Banks must gradually adjust their exposures so as to comply with the LE limit with respect to their eligible capital base by that date,” RBI said, adding that any exposure, whether on balance sheet or off balance sheet, which is at or over 10% of a bank’s Tier 1 capital, will be considered a large exposure. Under the guidelines, a connected group of counterparties or companies is considered to be a set-up where the collapse of one company may lead to the collapse of all related companies, or where one company holds more than 50% of the voting rights in the other company.

### **3. NITI Aayog to hold meeting with telecoms for Aadhaar-enabled payments**

Source: **Business Standard** ([Link](#))

As the cashless drive gathers steam, the Niti Aayog is soon planning to hold a high-level meeting with telecom companies to enable Aadhaar-enabled online transactions through mobile phones. It is concurrently working on developing a common mobile phone app that can be used by shopkeepers and merchants for receiving Aadhaar-enabled payments bypassing credit and debit cards, pin and password. Through this mobile application, the handset will be used for authenticating biometrics of customers making Aadhaar enabled payment. The Unique Identification Authority of India (UIDAI), the authority that generates Aadhar has planned to increase biometric authentication capacity through Aadhaar to 40 crore a day from 10 crore to encourage more use of the platform for realizing a cashless society. UIDAI will eventually increase its biometric authentication capacity to 40 crore, UIDAI Chief Executive Officer Ajay Bhushan Pandey told reporters here. He further said, "We will create awareness about this mode of transactions. We will eventually create capacity for 40 crore authentications. Yesterday, 1.31 crore Aadhaar-enabled biometric authentications were reported. We will increase it gradually."

### **4. Airfares may go up on government plans to raise airport charges by 10%**

Source: **Live Mint** ([Link](#))

Airfares may soon go up as the government has decided to increase airport charges by about 10% across the country. The new charges, which will become applicable from this month, are over and above the Rs8,500 cess per flight slapped on most domestic flights to fund the civil aviation ministry’s ambitious regional connectivity scheme Udan. “The increase is about 10% across the board,” said a person with knowledge of the matter who did not want to be named. The charges will apply to all aircraft in the country, besides airlines. They include route navigation, landing and parking charges, according to a 24 November circular from the Airports

Authority of India, issued with approval from the civil aviation ministry and reviewed by *Mint*. Airport charges make for about 7-10% of an airline's costs, which could mean an increase of about 1-1.5% in airline costs due to the latest charges, said a second person aware of the matter who also did not speak on record. Foreign airlines will also have to shell out more money for flying over India. Because of its geographic location, India gets a substantial amount of revenue in overflying rights and in foreign currency. All flights going from South East Asia to the Middle East and Europe and back typically overfly India.

## **5. IIT students bag Rs1 crore-plus placement offers**

Source: **Live Mint** ([Link](#))

The placement season at the elite Indian Institutes of Technology (IITs) started on a robust note Thursday with some students bagging Rs1 crore plus offers on day one. Nearly a dozen students from the older IITs at Kanpur, Delhi, Mumbai, Roorkee, Guwahati, Kharagpur and Madras bagged annual salary offers of Rs. 90 lakh-1.15 crore on the first day of the two-week long recruitment drive. Among those who have got eight-digit packages are one from IIT-Roorkee and two from IIT-Guwahati. While Microsoft India has offered such packages both at IIT Roorkee and Guwahati, Oracle India has offered this package at Guwahati. Though IITs did not reveal details, at least three officials from different IITs, on condition of anonymity, said these lucrative offers were for global posting. To be sure, these packages include base pay and allied company benefits, said N.P. Padhy, professor in charge of placements at IIT-Roorkee.

Companies or organisations which visited the IIT campuses on day one include software giants Microsoft India and Oracle India, financial services companies like Goldman Sachs and Credit Suisse, cab aggregator Uber India, e-commerce major Amazon, Indian Space Research Organisation (Isro) and ONGC Ltd. Besides, Samsung Electronics India, IBM Research India, Texas Instruments, Boston Consulting Group, Dalberg Global Development Advisers, Nutanix Technologies, Auctus Advisors, Xerox Research Centre, VISA Inc., ITC Ltd also visited these campuses. In each of the campuses, 45-60 students were offered jobs till Thursday evening. "Its a good and encouraging start of the placement process," said Manu Santhanam, advisor, training and placement at IIT Madras. He said on day one, Microsoft, Samsung R&D, Goldman Sachs, Oracle, VISA, ITC made four or more offers at IIT Madras.

**By Shreya Chopra**



