

Daily Economic News Summary: 30 August 2016

1. IndAS to change profitability, net worth of Indian firms by 5%: Crisil report

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

As the Indian companies transition from Generally Accepted Accounting Principles (GAAP) to Indian Accounting Standards Rules, 2015 (IndAS) for financial accounting and reporting, their profitability and valuation could change by more than 5%, according to a report by ratings agency Crisil Ratings. A Crisil study of 80 rated companies that have reported their first quarter results as per IndAS showed that there was a deviation in profitability by 5% or more for around a third of the companies.

The changes in profitability were largely on account of lease expenses, changes in consolidation, recognition of gains/losses for financial instruments designated at fair value through profit and loss (FVTPL), and amortization of goodwill, said the report released on 29 August. The IndAS rules are different from GAAP as they are based on the fair valuation method. In accounting, fair value is a rational estimate of the potential market price of goods, services or assets. It takes into account factors such as acquisition, production and distribution costs. On the balance sheet side, out of the 80 companies, only eight reported information on changes in net worth as on 31 March, under revised accounting standards. In four of these companies, the deviation in net worth was 5% or more.

The changes in net worth are largely one-time in nature stemming from fair valuation of financial instruments, fixed assets and deferred taxes, the report said. The government notified the rules on IndAS in February 2015, which became mandatory for companies from 1 April 2016.

2. RBI Annual Report 2015-16: Household financial savings rise

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

Indian households are warming up to financial products again by putting a larger part of their financial savings into shares and bonds, shows data from the Reserve Bank of India (RBI). Gross financial savings of households in fiscal year 2016 increased to 10.8% of gross national disposable income (GNDI) from 10% in the previous year. Within financial products, households are picking up more shares and bonds than before as savings into these rose to 0.7% of GNDI in FY16 from 0.4% in the previous year. Although retail inflation may have eased, enabling

depositors to finally earn a real return, banks continued to be sore losers for the third straight year.

3. Ratan Tata, Nandan Nilekani to start microfinance company

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

Ratan Tata, chairman emeritus of Tata Sons, Vijay Kelkar, former finance secretary and chairman of the National Institute of Public Finance and Policy, and Nandan Nilekani, co-founder of Infosys Ltd and the architect of Aadhaar, are joining hands to start a microfinance institution (MFI). Named Avanti Finance, the company, a “technology-enabled financial inclusion vehicle”, will focus on “delivering affordable and timely credit to under-served and un-served segments in India”, said a statement from Tata Trusts. Avanti will apply to the Reserve Bank of India for registration and is expected to start operations before the end of the financial year, added the statement. Tata and Nilekani are investing in setting up this microfinancier from their respective philanthropic capital and “any gains will be reinvested in philanthropic causes”, said the statement.

4. Flipkart finally launches own digital wallet

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

Flipkart, the country’s largest e-commerce entity, has launched its own digital wallet, PhonePe. This plugs a crucial gap in its payments game against rivals Snadeal and Paytm, backed by Chinese giant Alibaba. Flipkart says it hopes for over \$1 billion (Rs 6,600 crore) in transactions by the year-end from this move. PhonePe is integrated with the new Unified Payment Interface (UPI), allowing users to directly transact from their bank account and not store funds in their mobile wallet.

Flipkart had actually acquired PhonePe in April and then adopted UPI, which aims to make individual wallets irrelevant. Since then, it has redesigned the product and entered into a strategic tie-up with YES Bank, to convert PhonePe into a bank-backed wallet that allows users to do peer to peer transactions, buy goods or pay bills.

5. Jaitley seeks funding for NIIF from US, UK

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

Finance Minister Arun Jaitley on Monday met US Secretary of Commerce Penny Pritzker and British Secretary of State for International Trade, Liam Fox, and sought further investment from the US and UK in the Rs 40,000-crore National Investment and Infrastructure Fund(NIIF). Pritzker and Fox had called on Jaitley in separate meetings in the finance ministry. During the meeting, Pritzker said the US wants to institutionalise the trade relations between the two countries. According to her, there is “a great potential to increase the bilateral trade among the two nations”. Jaitley, on his part, pointed out that many Indian states were growing at 10-11 per cent and offered opportunity for US investment. “Both the leaders discussed issues relating to bilateral trade and measures to increase the trade,” said a finance ministry statement.

Appreciating the passage of the goods and services tax (GST) Bill by Parliament, Pritzker said it would boost economic activities in India. “The trade dialogue by state chief ministers with different US authorities can be given a structured shape to give an impetus to the bilateral trade,” she added. Jaitley expressed India’s interest in increasing the bilateral trade and said most concerns between the two countries were either already resolved or narrowed down to a large extent. Jaitley also spoke of NIIF in which various US-based insurance, pension and endowment funds can invest, especially in the infrastructure sector which has great potential in India.



By Nandini Malhotra