

Daily Economic News Summary: 4 June 2018

1. Government Relaxes Norms For Coastal Movement Of Agriculture, Farm Products, Says Union Minister Nitin Gadkari

Source: Financial Express ([Link](#))

In a major policy initiative aimed at benefitting farmers, the government has done away with the licensing permits for foreign vessels for coastal movement of agriculture, fishery and animal produce, besides allowing Indian citizens to charter ships for these, Union Minister Nitin Gadkari said. The move is also aimed at promoting processing of seafood at Indian hubs under Sagaramala initiative rather than processing of Indian seafood in Singapore before further exports to countries like Japan. “We have done away with the licensing requirement for plying of foreign flag vessels by foreign players on the coastal line of India for four kind of cargos – agriculture, horticulture, fisheries and animal husbandry. We have also allowed chartering of foreign vessel by Indian citizens, Indian incorporated entities and Indian registered societies for this,” Shipping Minister Gadkari told PTI. The main intent of the government’s reform in the maritime sector is to see that farmers income increases and through lower logistic charges like transportation through sea would reduce costs, the minister said. “It is in continuation of a large number of initiatives Government of India is taking to increase farmers’ income in line with the Prime Minister’s objective to double farmers’ income,” Gadkari added. The relaxation in licensing requirement has been given under section 407 of the Merchant Shipping Act 1958 and accordingly vessels with at least 50 per cent of total cargo onboard constituted by these commodities are not required to obtain a license from the Director General of Shipping for coastal trade.

2. Coal India To Pilot New Billing System With NTP

Source: Financial Express ([Link](#))

Coal India Ltd will try out a new customer-friendly billing system for consumers with state-owned power major NTPC on a pilot basis, in line with a global quality practice framework, a top official has said. The new billing mechanism will compute prices on every unit of Gross Calorific Value (GCV) of coal, doing away with the grade policy at present. The GCV unit-based pricing of coal was first announced by Gopal Singh in January this year, when he was holding a temporary charge

as chairman of Coal India. Singh had expected the rollout of the new pricing method from April this year. “It has not started yet. It entails a lot of things and that’s why we are not in a hurry. Consumers should also agree. We are planning to carry out a pilot soon with NTPC,” Coal India director (marketing) S N Prasad told PTI. The trial will be conducted with 1-2 plants of NTPC and 1-2 mines of Coal India in the first round. “After 2-3 months, we will analyze the results before taking a call on rollout in full scale,” he said. If the initial results are positive then the new pricing will cover all the NTPC plants in the second round before extending the new billing system to all consumers, Prasad said. He said the pilot project will help the miner understand teething problems.

3. Govt Weighs Merger Of Bank Of Baroda, IDBI Bank, Oriental Bank, Central Bank

Source: Livemint ([Link](#))

The government is considering merging at least four state-run banks, including Bank of Baroda, IDBI Bank Ltd, Oriental Bank of Commerce and Central Bank of India, two people aware of the matter said. If the plan goes through, the merged entity will become the second-largest bank in the country after State Bank of India, with combined assets of ₹16.58 trillion. With the merger, the government hopes to help stem the rise in bad loans in their books at a time when poor asset quality has crippled the lending ability of some of them. The merger will also allow the weak banks to sell assets, reduce overheads and shut money-losing branches. The four banks that are being proposed to be merged are under pressure with combined losses of ₹21,646.38 crore in the year ended 31 March. The department of financial services, under the finance ministry, is also simultaneously considering a 51% stake sale in IDBI Bank to a strategic partner, for ₹9,000-10,000 crore, the people said on condition of anonymity. Government officials declined to comment, saying the matter is highly market sensitive. In his 2016 budget speech, finance minister Arun Jaitley said that the government was considering reducing its stake in IDBI Bank to less than 50%.

4. South Korea Seeks Relaxation From India On Gold And Silver Imports

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

South Korea has asked India to remove restrictions on gold and silver imports, which were imposed to check abuse of free trade agreement leading to significant surge in the inbound shipments. In August 2017, India restricted imports of gold and silver items from South Korea to

check spurt in the inbound shipments of the precious metals from that country. "South Korea is asking for removal of these restrictions but we have asked them to increase value addition norms," a government official said. As part of the restrictions, importers have to obtain a licence from the Directorate General of Foreign Trade (DGFT) for importing gold and silver from South Korea. The two nations implemented a free trade agreement in January 2010. Under the pact, basic customs duty on gold was eliminated. An official of the gems and jewellery export promotion council (GJEPC) said easing of norms would again lead to significant surge in imports of the yellow metal in India from Korea.

5. GST Alert: International Passengers Need Not Pay GST At Airport ‘Duty-Free’ Shops
Source: Financial Express ([Link](#))

International passengers buying goods at airport ‘duty-free’ shops will not be subject to GST and the revenue department will soon clarify on this exemption, an official said. Following an order passed in March by the New Delhi bench of the Authority for Advance Ruling (AAR) stating that GST would be leviable on sale of goods from ‘duty-free’ shops at airports, the revenue department had received a number of representations seeking clarification on the issue. “The position of the revenue department has always been that we cannot export our taxes. We will issue clarification stating that duty free shops would not levy GST,” the official told PTI. The revenue department will clarify that duty-free shops will have to only collect a copy of the passport from the passenger to whom it sells the goods and later on seek GST refund from the government, the official added. This means, like exporters, duty-free shops can claim refund from the government for the GST it has paid in procuring goods from manufacturers. The copy of passport will be treated as proof of sale of the goods. Experts said that the Authority for Advance Ruling (AAR) order had put such shops in a fix, since they were exempt from central sales tax (CST) and value added tax (VAT) in the earlier indirect tax regime. In the erstwhile regime, sale from such shops were considered as exports and supplies were taking place beyond the ‘customs frontiers’ of India.

6. India, China Aim To Resolve Differences Over RCEP Deal

Source: Livemint ([Link](#))

India and China will seek to resolve differences on Regional Comprehensive Economic Partnership (RCEP) trade deal in a two-day meeting at New Delhi starting June 4. India will seek non-reciprocal access to China's market and urge China to support its efforts for a substantial agreement in services under the RCEP deal. The 16-member RCEP free trade agreement (FTA) is mostly held up due to India's reluctance to substantially open up its market to China as it has an unsustainably high trade deficit of \$63 billion in 2017-18 with its northern neighbour. Many countries want India to open up its market for 92% of traded goods, while India is only ready to offer market access up to a maximum of 85% items with deviations for countries like China, Australia and New Zealand with whom it does not have an FTA. "For India, RCEP is mostly about China. We can have FTAs with Australia and New Zealand separately. Once India and China settle their ambition level, then the rest of it could be sorted out," a commerce ministry official said under condition of anonymity. Former foreign secretary S. Jaishankar, at a presentation before the parliamentary standing committee on commerce, called for "observance of due restraint" and warned against concluding trade arrangements that are not in India's medium-term interest.

7. Retailers, Technology Firms Join Hands To Ward Off 'Amazon Effect'

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

In battleground India, caught in the middle of two giants Amazon and Walmart Inc worth more than a trillion dollars combined, are the large number of traditional bricks-and-mortar retailers fighting hard to stay relevant. Aiding them in this fight for survival are a few tech companies, who after being at the receiving end of Jeff Bezos' ambitious plans globally are hoping to finally counter what is now known as the 'Amazon Effect'. According to various industry analysts, the Amazon Effect is the impact that online e-commerce has had on physical retail. With expectations of customers changing and demand for seamless, uninterrupted shopping increasing, tech companies are now using this fear of becoming of irrelevant as a sales pitch to sell their products to traditional retailers. From backend inventory management and technology for improved reverse logistics to incorporating artificial intelligence and machine learning in stores, tech companies are providing solutions to help the brick and mortar stores become future ready.

Basically, preparing them for the retail war with Amazon and Walmart. Cloud, mobility and big data analytics are the core of digital transformation technologies that organisations are investing in 2018.

8. Govt's Social Security Scheme Hits Roadblock

Source: Financial Express ([Link](#))

The government's plan for an all-encompassing social security scheme with proposals to merge old-age schemes like EPF and ESIC into a new structure seems to have hit a roadblock. The indication came on June 1 in a statement issued by RSS-affiliate Bharatiya Mazdoor Sangh (BMS), claiming that BJP president Amit Shah has given it an assurance, "that ESI and EPF schemes will not be disturbed at any cost in the new labour code on social security." The code, which is still in draft stage, also proposed that assets and funds under the 16 extant social welfare schemes would be divided among the Social Security Funds (SSFs) to be set up in each state. Once employers start contributing to SSFs, they will cease to provide funds to the EPF, EPS and ESIC. Under the code, the government proposed a plan to bring workers of almost all categories — including those in the unorganised sector, the self-employed, part-time and casual workers and those earning below the "minimum wage" — under a robust, well-defined and comprehensive social security net. BMS president Saji Narayanan appraised the BJP president that dismantling of ESI and EPF schemes would result in cross subsidisation.

9. After Flipkart Deal, Walmart India Looks To Scale Up Kirana Store Business

Source: Livemint ([Link](#))

Walmart India is planning to scale up its kirana store programme called Mera Kirana that helps small family-owned grocery stores modernise, while also opening a new fulfilment centre as part of a pilot run in a bid to expand its cash-and-carry footprint at a faster clip. Walmart India has been piloting Mera Kirana over the past four years and now wants to make it part of its mainstream business, a top executive said in an interview. It is also planning to open another so-called "dark store", or warehouse, in Lucknow over the next month or so. Under Mera Kirana, Walmart creates zones in its Best Price wholesale stores that are designed to resemble a modern kirana store. They serve as a model for mom-and-pop (kirana) store owners to replicate when it comes to assortment

and placement. The company also sends its teams out to kirana stores to work directly with them. “We’ve seen a lot of loyalty from kirana stores because they understand that we are not just selling to them we are also helping them become modern. We’ve seen healthy double-digit growth in our membership base year-on-year,” said Rajneesh Kumar, chief corporate affairs officer at Walmart India.

10. Vegetable Prices Soar As Farmers’ Protest Enters Second Day

Source: The Hindu, Business Line ([Link](#))

Retail prices of vegetables shot up in some cities and fresh supply of farm produce was hit as the farmers’ agitation entered the second day on June 2 with a Left-affiliated body saying the stir would intensify from June 5. Agitating farmers stopped supply of vegetables, fruits, milk and other items to various cities. Though the impact of farmers’ stir on price of farm commodities was not visible on June 1, the retail prices of vegetables in several cities rose in the range of Rs 10-20 per kg on June 2. Several farmers’ organisations have jointly called the 10-day protest across 22 states in the country demanding remunerative prices for their produce, implementation of the Swaminathan Commission recommendations and farm loan waivers, among others. In Mumbai, the Left-affiliated All India Kisan Sabha (AIKS) accused the Maharashtra government of having a “negative approach” to the protest. “Farmers across the state are holding protests but the government seems to have a negative approach over keeping the promises it had made to farmers last month,” AIKS general secretary Ajit Navle told reporters. Delhi may face problems in supply of fresh vegetables, fruits and other perishables in the next week in case the farmers’ stir in neighbouring states intensifies. Trucks of vegetables, fruits and other food items reached Delhi but if the farmers resort to strict enforcement of cutting supply to the cities, the situation may deteriorate from next week, said Adil Khan, chairman of Azadpur Mandi.

11. Free Banking Services Will Not Attract GST

Source: The Hindu, Business Line ([Link](#))

Tax authorities have made it clear that free service – such as certain number of ATM withdrawals, issuance of cheque book or account statement provided by banks – will not attract Goods and Services Tax (GST). Butcharges for late payment of credit card dues and additional interest

charged in case of default in EMI payment will attract GST. This clarification has come after the Department of Financial Services and Department of Revenue were not on same page regarding the imposition of GST on services such as free ATM transaction or issuance of cheque book. In fact, tax authorities have issued notices to many banks asking them to pay tax on free services as they are subject to 'maintaining minimum balance'. After all these notices, the DFS had approached the revenue department, seeking clarity on whether such services would attract GST. The tax department also answered questions regarding taxability on late credit card or EMI payment. It said that GST will be levied on charges for late payment of dues on outstanding credit card bills.

12. Government Puts Protocol In Place To Speed Up FDI

Source: The Economic Times ([Link](#))

Having decided to turn down frivolous concerns raised by investigative agencies, the government has put in place a detailed protocol for clearing all foreign direct investment (FDI) proposals as part of an exercise to speed up approvals and bring about greater transparency. Sources told TOI that a panel of secretaries has put in place norms for all allegations related to security, corruption, directors, tax cases, money laundering and round-tripping of funds, environment, and accidents. While specific inputs related to any of the issues will be probed, the protocol will detail how to deal with all other observations related to companies, their parents or subsidiaries as well as directors. Although over 95% of FDI proposals are now on the automatic route, those related to sectors such as defence, aviation, telecom and I&B need clearance from the ministries concerned after the Centre decided to wind up the Foreign Investment Promotion Board (FIPB) last year.