



Public Finance

Slow spending by India government may prompt more cash infusion

India's federal government spending is expected to remain sluggish for several more months, leading to potential measures to inject liquidity into the banking system. Recent actions include three short-term securities buybacks and alterations in treasury bill borrowings. Slower spending is attributed to the ongoing national election. *(The Economic Times)*

Finance Ministry asks SBI to form committee to tackle co-lending issues

The Finance Ministry has asked the State Bank of India (SBI) to set up a committee to address issues related to the co-lending business model, said a senior government official who does not wish to be named. The Reserve Bank of India had allowed banks to co-lend or co-originate loans with non-banking finance companies, including housing finance companies, to enhance the flow of credit to the unserved and underserved sections of the economy. Non-banking finance companies can take a maximum of 20 per cent, according to the norms. *(Business Standard)*

Govt bond yields largely unchanged as traders await fresh debt supply

Indian government bond yields were largely unchanged in early trading on Friday, as traders awaited fresh debt supply, while US Treasury yields witnessed a further marginal upward move, which pushed yields higher earlier in the day. *(Business Standard)*

Road transport fleet operators' revenue to grow by 9-11% in FY25: CRISIL

Despite tepid exports, the revenues of road transport fleet operators is likely to grow by 9-11 per cent in 2024-25 (FY25) on the back of better domestic demand, according to ratings agency CRISIL Ratings (Crisil). "The credit profile of operators should remain strong as well, as they may look to moderate capital expenditure (capex) towards fleet expansion, following strong additions in the past three fiscals, even as new guidelines for air-conditioned driver cabins kick in next fiscal. Providing support is also steady working capital," the rating agency said on Thursday. *(Business Standard)*

NHAI's road assets monetisation can fetch up to Rs 60,000 cr FY25: ICRA

Rating agency ICRA on Thursday said state-owned NHAI's targeted asset monetisation of road assets could fetch the government up to Rs 60,000 crore in the current fiscal year. In April 2024, the National Highways Authority of India (NHAI) had released an indicative list of 33 road assets it plans to monetise in FY2025, through a mix of toll-operate-transfer (TOT) and sale to the NHAI's Infrastructure Investment Trust (InvIT). These assets are spread across 12 states, cumulatively spanning nearly 2,750 km and with an annual toll collection of Rs 4,931 crore. *(Business Standard)*

Bumper RBI dividend of Rs 2.11 trillion to give govt more fiscal room

The bumper Rs 2.11 trillion dividend transfer by the Reserve Bank of India (RBI) to the Centre is expected to give the next government fiscal cushion and greater elbow room for expenditure management, experts said. The dividend transfer is well above the budgeted figure of Rs 1.02 trillion in the Interim Budget for 2024-25 (FY25), which includes dividends from both the RBI and financial institutions. *(Business Standard)*

RBI announces reduction in the quantum of the government's treasury bill sales

The Reserve Bank of India (RBI) has responded to tight liquidity conditions in the banking system by announcing a significant reduction in the government's treasury bill sales and introducing a new selection of bonds for the Centre's buyback operations. This move aims to alleviate cash constraints for banks, which have been exacerbated by muted government spending during the ongoing general elections. By reducing the supply of treasury bills and offering bonds for repurchase at acceptable prices. *(The Economic Times)*



Taxation

AMP tax issue: Pepsico gets relief from Delhi High Court

Pepsico may not be required to pay tax on advertisement, marketing and promotion (AMP) expenses under transfer pricing mechanism. Delhi High Court has dismissed an appeal by the Income Tax Department related to additions of ₹2,800 crore towards AMP expenses by Pepsico. AMP under transfer pricing has always been a contentious issue. In the present matter, the Income Tax Department made transfer pricing additions of more than ₹2,800 crore. *(BusinessLine)*

No tax exemption on concessional or interest free loan from the employer, not even for bank employees, says SC

Employees (including bank employees) have to pay income tax on the difference between the interest rate of loans availed by them from their employer and the prime lending rate of the State Bank of India (SBI). The prime lending rate of SBI is usually significantly higher than the actual interest rate at which borrowers typically get a loan. The bank officer's confederation also challenged the reference taken (prime lending rate of SBI) for such a calculation. However, the Supreme Court declared the rule to be valid, and that it is bound to impact a large number of employees who get the loan at concessional interest. *(The Economic Times)*

Mandatory scrutiny of ITR: Income tax dept reveals the criteria how the ITRs will be selected for the scrutiny

A taxpayer can now know exactly why his/her income tax return (ITR) has been selected for scrutiny (close examination) by the Income Tax Department. This is because the Central Board of Direct Taxes (CBDT) has released guidelines via a circular dated May 3, 2024, which are to be followed for compulsory selection of ITRs for complete scrutiny for FY 2024-25. *(The Economic Times)*

HC rejects appeal over reversal of input tax credit on fraudulent supplies

The Allahabad High Court has dismissed a petition filed by a firm against penalty, interest imposed on it, and reversal of input tax credit (ITC) on inward supplies of goods by non-

existent firms. The court upheld the order passed by the Additional Commissioner in this regard. The court observed, "fraud vitiates even the most solemn proceedings and the mere fact that the ITC benefit had earlier been granted to the assessee merely because the firms were then registered, would not create any estoppel against the authority taking appropriate action for claiming refund of the benefit wrongly availed". (*Business Standard*)

Govt should lower tax on recruitment agencies to help boost employment: ISF

India should consider lowering the 18% tax imposed on recruitment agencies for providing outsourced staff to big companies, an industry body said on Thursday, which could help boost employment and wages of contract workers. The Indian Staffing Federation (ISF), a body of 125 recruitment agencies which provided 1.6 million outsourced workers to companies last year, said the new government after the elections ending on June 1 should take steps to support the hiring of more salaried workers. (*Business Standard*)



National Accounts and State of the Economy

GDP growth eased to 6.7% in Q4: ICRA

With industry and services losing some momentum and agriculture seen to be contracting for the second straight quarter, GDP growth was expected to have slowed to a four-quarter low of 6.7% between January and March, which would, however, still add up to an average 7.8% pace of growth for 2023-24, ratings firm ICRA projected. The National Statistical Office (NSO), which will present national income estimates for 2023-24 on May 31, had earlier projected a 7.6% GDP growth for the year gone by, factoring in a 5.9% uptick in the final quarter, compared with the 8.4% growth estimated for the third quarter. (*TheHindu*)

'Sachetisation of F&O trade risks savings'

CEA Nageswaran emphasises need to reconsider making trade in futures and options accessible to smaller investors given the requirement of a higher level of financial literacy for derivatives trading as well as the potential diversion of household savings that poses dangers to financial stability. Sachetisation refers to the process of making financial products and services available in smaller, more manageable packets. (*The Hindu*)

US Treasuries behind RBI's Rs 2.1 trillion bumper surplus to Centre

A combination of factors, including heavy investments in US Treasury bonds and dollar sales at a healthy profit, facilitated the Indian central bank in transferring a record surplus of Rs 2.11 trillion to the government for 2023-24 (FY24). The RBI's dollar purchases increased in FY24, supported by robust capital inflows endorsing the economy's health. (*Business Standard*)

Financialisation of household savings can fund private capex: Goldman Sachs

Contrary to the conventional mode of saving in physical assets like real estate, household savings in India are getting increasingly financialised, implying that the infrastructure asset creation could be funded without widening the current account deficit (CAD) or

increasing external vulnerability, a latest report released by Goldman Sachs said on Wednesday. *(Business Standard)*

Inflation seen closer to target in FY26: RBI's state of the economy report

The Reserve Bank of India's (RBI's) state of the economy report observed that any durable alignment of headline retail inflation with the target of 4 per cent could recommence in the second half of FY25 and sustain until numbers closer to the target are seen during the course of FY26, dashing hopes of any reduction in the policy repo rate in the current financial year.

The report, authored by RBI staffers, including Deputy Governor in charge of monetary policy Michael Patra, said though headline numbers may fall in July and August due to base effect, it is likely to reverse in September. *(Business Standard)*

PE/VC investments drop by 35% in April at \$4.4 bn

Investments by private equity and venture capital funds declined by 35 per cent to USD 4.4 billion in April compared with USD 6.8 billion in the year-ago period, a report said on Thursday. The number of deals in April stood at 98, which was 56 per cent higher than the year-ago period, the report by EY, a consultancy firm, and industry lobby grouping IVCA said. *(The Economic Times)*

India to contribute 30% of global GDP by 2040; focus on 'champion states' growing at 11% per annum: Amitabh Kant

Highlighting India's structural reforms and the economic near-term outlook, Amitabh Kant, G20 Sherpa for India, said that analysts are right in estimating that 30 per cent of the global gross domestic product (GDP) will come from India between 2035-2040. Kant estimates that by 2027, India will overtake Germany in Japan in terms of economic growth. *(Mint)*



Banking and Monetary Policy

PSBs ask US to route advisories via finance ministry

Indian banks have suggested to the US Treasury that its advisories to them should be routed via the finance ministry to ensure speedy implementation, people privy to the development said. Executives from some of the top lenders, including State Bank of India, Punjab National Bank and Canara Bank, met with a six-member US Treasury delegation last month. The discussions focused on Russian payments and a possible breach of the internationally imposed \$60 a barrel purchase price on Russian crude. *(The Economic Times)*

RBI may delay plan to ease interest rates

The Reserve Bank of India (RBI) will likely push back the decision to begin easing policy rates as the latest inflation print suggests the potential alignment of the keenly monitored price index with the mandated target for the central bank is back-ended. "A modest easing of headline inflation in the reading for April 2024 confirms the expectation that an uneven and lagged pace of alignment with the target is underway," wrote the RBI Deputy Governor Michael Patra and his team in their assessment of the economy, which was published in the latest monthly bulletin. *(The Economic Times)*

Project loan provisions to impact earnings due to limited pass-through: Banks to RBI

Banks will have only a 'limited ability' to pass on the impact of the proposed increase in project loan provisions due to the intense competition among lenders and the pressure to maintain relationships with large corporates. Officials from some of the large banks conveyed this to the Reserve Bank of India (RBI) last week, people with knowledge said. Banks have told the RBI that they will have to absorb the impact of the higher provisions, which will, in turn, affect their earnings. *(The Economic Times)*

Indian banking sector pips IT as net profit tops Rs 3 lakh crore in FY24, rises 39% YoY

India's banking sector achieved a milestone as its net profit surpassed Rs 3 lakh crore for the first time in FY24. The combined net profit of listed public and private sector banks surged by 39 per cent, reaching Rs 3.1 lakh crore compared to Rs 2.2 lakh crore in FY23, TOI reported. The Rs 3 lakh crore figure is roughly equivalent to the cumulative quarterly profits of all listed companies during the initial three quarters of the fiscal year. *(The Economic Times)*

Banks want to regain power to issue lookout notices, to move Finance ministry

State-owned banks will jointly move the government to regain their power to stop dodgy borrowers from fleeing the country. Last week, several high-street banks took a decision to make a joint representation to the finance ministry for obtaining a statutory backing to their ability to issue 'look-out circulars' (LOCs) that alert immigration authorities and restrain errant, unresponsive borrowers from crossing the borders and escaping the local law enforcement agencies. *(The Economic Times)*



External Sector

Easing global yields bring FPIs back to Indian govt bonds

Buoyed by signs of easing US inflation and India's inclusion in global bond indices from next month, foreign investors have resumed purchases of fully accessible government securities this month, reversing a six-week selling streak which saw their holdings drop by close to \$2 billion. From May 8 to 22, foreign portfolio investors' holdings of fully accessible route (FAR) Indian government bonds increased ₹3,304.8 crore to ₹1.6 lakh crore, showed latest data on the Clearing Corporation. *(The Economic Times)*

India, China have agreed to cooperate in paying in local currency for imports: Maldives

The Maldives on Wednesday said both India and China have agreed to cooperate in efforts to pay for imports in their respective countries' currency instead of the US dollar, which is likely to help Male save almost 50 per cent of the annual USD 1.5 million imports bill from the two countries. Maldives' Economic Development Minister Mohamed Saeed said he met with the Indian High Commissioner Munu Mahawar two weeks ago, who in turn, said that New Delhi would support and cooperate in arranging for the settlement of import payments in Indian Rupee. *(The Economic Times)*

India reaffirms restrictions on import of certain electronics & IT goods

India has reaffirmed its restrictions on the import of certain electronics and IT Goods, an official notification of the Commerce Ministry dated May 20 read. It may be noted that this order has been in place since 2021 and was updated with requisite notifications. The ministry has prohibited the import of unregistered, non-compliant notified products as in Electronics and IT Goods. *(The Economic Times)*

Govt recovers Rs 852 cr under amnesty scheme for exporters: Official

The government has recovered about Rs 852 crore under the amnesty scheme for exporters for one-time settlement of default in export obligation by the holders of advance and EPCG authorisations, an official said. The figures are likely to increase further as the exercise is on for the compilation of the data, the official added. The government has fixed March 31 as the last date for payment of customs duty plus interest. *(Business Standard)*

India's crude oil imports hit record high in April 2024 amid rising demand

India's crude oil imports during April 2024 rose to its third highest level on record as refiners topped up on supplies to meet the domestic demand for auto fuels as well as for export opportunities in the northern hemisphere ahead of the summer travel season. The world's third largest energy consumer imported 21.4 million tonnes (mt) of crude oil last month, a growth of 3 per cent M-o-M and 7 per cent Y-o-Y. Inbound shipments of the critical commodity rose for the third consecutive month during April, according to Petroleum Planning & Analysis Cell (PPAC) data. *(BusinessLine)*

Spice row: Govt taking actions against Everest, MDH over ethylene oxide presence; recommends corrective actions

Government is taking action against spice-exporting companies Everest and MDH, conducting inspections and recommending corrective actions after tests revealed the presence of ethylene oxide in products exported to Singapore and Hong Kong, an official told PTI. The government had found that some samples of Everest spices were non-compliant under the strictest standards (0.1 mg per Kg) regarding presence of ethylene oxide. Countries across the world follow different MRL (maximum residual limit) for EtO. While the EU has fixed this limit at 0.02-0.1 mg per kg, Singapore's limit is 50 mg per kg and Japan has 0.01 mg per kg. *(Financial Express)*



Agriculture and Rural Economy

Agriculture Department lists schemes launched for farmers' welfare

Tamil Nadu's Agriculture Department on Thursday listed a slew of schemes launched by the Chief Minister M.K. Stalin-led DMK government for farmers' welfare. Through the Chief Minister's Crop Insurance Scheme, ₹4,366 crore in compensation had been ensured for 24.50 lakh farmers for crop damage in the last three years. *(The Hindu)*

The other side of 'green' initiatives and the need for fair treatment of rural communities

Uttariya, a five-day series of events at Bangalore International Centre, saw experts criticising the so-called 'green' initiatives that result in deteriorating living conditions and

highlighting the need for government support for organic farming and traditional textiles. Places like Pavagada in Karnataka are at the centre of India's solar dreams. Around the year 2016 the government started leasing lands from farmers in this region, who had started finding farming unviable given the unpredictability of rains. *(The Hindu)*

Govt plans big scale radiation processing of onions to prevent shortages

The government is planning to significantly ramp up the radiation processing of onions to create a buffer stock of 1,00,000 tonnes this year, as it aims to prevent shortages and price rises of the politically sensitive bulb, according to a top government official. The world's biggest exporter of onions is expected to see output fall by 16 per cent to 25.47 million tonnes in 2023-24 amid lower yields in key growing states of Maharashtra, Karnataka and Andhra Pradesh, according to government estimates. *(The Economic Times)*

Wheat processors call for removal of import duty to ease supply shortage

The wheat processing industry has demanded the removal of 40% import duty on the food grain to improve supplies in the local market, as the government's procurement is lagging the target and since the carry-forward stock at the beginning of the fiscal was the lowest in 16 years. *(The Economic Times)*

India poised to surpass last year's wheat procurement record

Government agencies are set to exceed last year's wheat procurement figure of 262 lakh tonnes in the coming days, with current purchases reaching around 261 lakh tonnes as of Saturday. However, the total is expected to fall short of the initial estimate of 300-310 lakh tonnes. Madhya Pradesh, experiencing a nearly 33% decrease in procurement compared to last year, has extended its procurement period to May 31. *(The Economic Times)*

FSSAI warns traders, food businesses against use of calcium carbide for artificial fruit ripening during mango season

The Food Safety and Standards Authority of India (FSSAI) has issued a stern warning to traders, fruit handlers, and Food Business Operators (FBOs) involved in ripening fruits. The advisory specifically targets those using calcium carbide for artificial ripening, especially during the mango season. This practice is strictly prohibited. FSSAI has urged the Food Safety Departments of States and Union Territories to be vigilant and take stringent action against those violating these regulations. *(The Economic Times)*

Agriculture Department lists schemes launched for farmers' welfare

Tamil Nadu's Agriculture Department on Thursday listed a slew of schemes launched by the Chief Minister M.K. Stalin-led DMK government for farmers' welfare. It said in a release that the State had progressed in food production, and the prospects of farmers had improved. Besides, a farm budget was being presented and it would boost agricultural growth, it pointed out. Through the Chief Minister's Crop Insurance Scheme, ₹4,366 crore in compensation had been ensured for 24.50 lakh farmers for crop damage in the last three years. *(The Hindu)*



Flash composite PMI up at 61.7 in May, job creation strongest in 18 years

A sharp acceleration in the services sector has led to India's private sector activity gathering pace in May, posting the third strongest surge in 14 years. The month under discussion also saw the steepest increase in job creation since September 2006, according to a survey released by HSBC on Thursday. The headline flash composite PMI (Purchasing Managers' Index) rose to 61.7 compared with 61.5 in the previous month, the survey noted. *(Business Standard)*

Safe technology developed by India for nuclear explosions

The Meteorological Department here to-day announced it had recorded India's first underground nuclear explosion set off on Saturday. The event was detected at 8-06 a.m. and it registered a force equivalent to an earthquake of magnitude 4.5 in the Richter Scale. Meanwhile scientists here are both elated and puzzled about the reported absence of any radioactive fallout following the nuclear explosion. *(The Hindu)*

Zinc demand in India likely to double in next 5-10 years: Industry body

The demand of zinc is expected to double in India in the next five to 10 years on the back of huge investments in infrastructure sector, including steel, International Zinc Association said on Sunday. The demand for zinc in India depends largely on the growth of the steel market as zinc is mainly used to galvanise steel to protect it from corrosion. The market for primary and refined zinc in India is currently close to 800 to 1,000 tonnes (per annum) and has a great opportunity to increase with all the developments that we are witnessing in India. *(Business Standard)*

Domestic tyre manufacturing sufficient to meet India's needs: ATMA

Automotive Tyre Manufacturers' Association (ATMA) has stated that automotive tyres rank at the forefront of those sectors where domestic manufacturing capabilities can render imports unnecessary. The Government recently asked industry to name items where India has capabilities to be self-reliant so that upcoming FTAs could be drafted while safeguarding the interests of domestic industry. *(BusinessLine)*

India among world's high-growing markets; enterprise needs, innovation great fit for us: Red Hat CEO

Red Hat, sees India as among the world's high-growing markets, and the country's expanding enterprise base and technical innovation capabilities, offer exciting prospects for the IBM-owned company, its CEO Matt Hicks, said. Weighing in on the larger debate of AI and its impact on tech sector jobs and salaries, Hicks told PTI that artificial intelligence, "if done well", will trigger massive value creation and spawn new industries beyond anyone's imagination. *(BusinessLine)*

India pushes steel industry for greater carbon transparency as CBAM reality dawns

India's steel industry seeks transparency on carbon emissions to navigate CBAM transition, emphasizing data reporting and emission levels. *(BusinessLine)*



IIIT, Kalamandalam to develop AI to bring Kathakali closer to the minds of art lovers

While the creative prowess of artificial intelligence (AI) is not received so ecstatically by some artists, a collaboration of artists and programmers in Kerala is now crafting a machine language to foster a deeper appreciation for Kerala's classical art Kathakali. The project, initiated by the Indian Institute of Information Technology in Kottayam in collaboration with Kerala Kalamandalam, Thrissur, aims at developing an AI-enabled tool capable of providing semantic interpretations of the art form. *(The Hindu)*

Kerala's revenue soars to Rs 77,000 cr, easing financial strain from Centre: KN Balagopal

The Kerala state government has achieved a record revenue increase from Rs 47,000 crore in 2020-21 to Rs 77,000 crore in 2023-24, helping to mitigate financial challenges posed by the Centre, said Finance Minister K N Balagopal. He pointed out that this represents a 60 per cent increase in the state's own tax revenue over just three years *(Onmanorama)*

Speed limit revised again to 100 kmph and 90 kmph on NH-six lane in Kerala

A year after revised speed limits became effective in Kerala, speed has been refixed on National Highway six lane and above, divided carriageway (roads with median strips/dividers). The state government has decided to refix the speed of M1 category vehicles (not more than eight seats in addition to driver's seat), M2 & M3 category vehicles (nine or more seats in addition to driver's seat) on National Highway -six lane. For M1 category vehicles, speed on NH-six lane has been revised from 110 kmph to 100 kmph. Speed of M2 & M3 category vehicles has been revised from 95 kmph to 90 kmph, as per a gazette notification issued by the Transport department *(Onmanorama)*.

KSEB's unplanned, unapproved power purchase agreement: Rs 200 cr loss expected

KSEB finds itself in the hot spot due to a power purchase agreement entered in haste during the summer months, without proper planning or approval from the Regulatory Commission. KSEB reportedly will lose approximately Rs 4 crores per day, totaling Rs 200 crores by the end of the contract. Consumers will bear the burden of this liability through increased electricity bills *(Mathrubhumi English)*

Kerala farmers in distress as price of coffee, cocoa declines

The farmers who had high expectations on coffee prices are now disappointed as the price of coffee cherries has been reduced to Rs 185 from Rs 240 per kilo, and the price of coffee beans, which were priced at Rs 362, has been reduced to Rs 300. In 4 years, the price of coffee cherries, which was Rs 70 in high-range markets, had risen to Rs 230-240 per kilo, and the price of coffee beans, which were priced at Rs 362, had been reduced to Rs 300 *(Mathrubhumi English)*.

Government's deep-sea fishing initiative faces challenges due to poor execution, inadequate training

The government's initiative to aid traditional fishermen by deep-sea fishing plans has hit rough waters due to flaws in execution. Funded by both Central and State governments, out of the six vessels constructed, each costing Rs 1.5 crores, only two are actively engaged in deep-sea fishing. The remaining vessels are used for other purposes. A major drawback is the absence of adequate training for deep-sea fishing(*Mathrubhumi English*).

Kerala govt activates emergency operation centres amidst heavy rains

Kerala government opens emergency operation centres in all districts to tackle heavy rains, mudslides, and issues warnings to tourists about possible landslides in hilly areas. Safety boards will be installed to warn travellers, and night travel bans may be imposed in hilly areas. District collectors address intense water logging, uprooting of trees, and Health Minister Veena George warns about epidemics(*The Economic Times*).

Kerala sets up expert committee to regulate river water use

The Kerala Government is looking into the possibilities of regulating the use of river water for agricultural purposes in order to control floods. This is being done since the rivers are overflowing in several regions in the State during the Monsoon season causing floods and other damages. An expert committee, consisting of eight members, has been constituted for this purpose(*Mathrubhumi English*).

Borrowings: Kerala awaits Centre's nod; salary, pension distribution at stake

The Kerala government has not yet received final approval from the Centre for market borrowings. If this approval does not come through on Friday, Kerala will be unable to proceed with the borrowings, potentially disrupting salary and pension distributions(*Mathrubhumi English*).

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