

# AURORA'S JOURNAL OF MANAGEMENT

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Aurora's Business School  
Chikkadapally  
Hyderabad-500020, INDIA

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July-Sept, 2018



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The Author should send three copies of the final manuscript. The text should be double-spaced on A4 size paper with one-inch margins all around. The Author's name should not appear anywhere on the body of the manuscript to facilitate the blind review process. The Author may send a hard copy of the manuscript to Aurora's Business School or e-mail the MS Word Document at [ajm@absi.edu.in](mailto:ajm@absi.edu.in). The manuscripts should be submitted in triplicate and should have been proof-read by the Author(s) before submission.

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## The Reserve Bank of India: Its regulatory Integrity and Preservation of Autonomy: An impartial view

Dr Raghu N Prabhakar, Director, Aurora's Business School, Hyderabad  
(He can be reached at prabhakalepu@gmail.com)

### Abstract

Since 2014, the RBI has been very proactive in cleaning the Banking system with the rigorous Asset Quality Reviews. But after the crisis of the Punjab National Bank, its stand changed, calling into question the banking regulator's oversight. Consequently, the governor of RBI minced no words by saying that it does not have enough powers to regulate public sector banks. All its actions, of course, have a visible impact on stock prices. The Board meeting held on 19th Nov 2018 has given a new shape to its independence. Even the authority of the central government over the regulator has shown the signs of a sort of compromise. Both appear to have realised their role and power. The RBI can make some mistakes in taking crucial decisions. But parliamentary scrutiny and transparency norms make it publicly accountable. However, If the central government directly interferes and intervenes in its operation, the very purpose of autonomy to the RBI is likely to be defeated.

### Key-words

Autonomy, norms, justification, rigidity, flexibility, stance, global practice, regulatory body, obligation, core equity tier, entrepreneurs, restructure, assets, MSME, credibility, resources, resolution.

### Introduction

The recent confrontation between the central government and the RBI seems to have ended optimistically for the both. **The recent meeting of the Board has arrived at positive conclusions.** Y. H. Malegam, former RBI Board member is of the opinion that literally, there is no confrontation now. He aims sincerely that the RBI is accountable to the government and at the same time, the political leaders cannot dictate terms to the regulator. Regarding the transfer of excess reserves, he says that **before deciding the issue, the adequacy of reserves should be examined and then only further transfers are to be determined.** The new panel constituted should look into this matter carefully. Actually, there is no provision for the distribution of past reserves.

The previous panels recommended that **there is no need to transfer anything more in the next three years,** as the reserves are sufficient at present. After three years, the situation should be reviewed. The

Board has discussed the issues of its concern and requested the government to reconsider them. The board is only an advisory body and it is the governor who should take the decision. As far as the reserves are concerned, the government has to form a committee. This is the global practice too. The committee has to make its own evaluation of how to cultivate the adequacy of reserves and then recommend accordingly.

The governor of RBI should be open in discussing with the board what are the policies and why a particular policy is followed. Even before a policy is issued, various alternatives have to be taken into consideration. The governor takes the advantage of the expertise of board members in their respective field, to get some inputs and arrives at an appropriate decision.

**As far as the autonomy of the RBI** is concerned, it should be within the RBI Act, which gives certain powers to the governor and some authority to the Board. Both have the same power. The Act makes it clear that the board can make regulations; subject to that the governor has to act and those regulations should be in accordance to the Act. The RBI is, no doubt, an autonomous body, but it is accountable to the parliament, to the government and to the public. Hence, whatever the RBI does, it must be able to justify it. It has its own sphere of operations, but it has to recognise that there are other players too in the economy, including the government. **The policies of the RBI should not be in conflict with those of other regulators.**

In a give and take atmosphere, the government proposed and the Board granted the following

1. A higher share of RBI surplus transfer is proposed. The govt questioned the method and need for keeping higher Capital Reserves.  
The RBI will constitute a committee to review its economic capital reserves.
2. The Govt proposed easy capital norms for banks.  
The RBI granted one year extension of deadline, to create capital buffer.
3. The Govt wanted more funds to small entrepreneurs.  
The RBI granted loan restructuring scheme to MSME(Micro, Small, Medium, Entrepreneurs) with credit facility upto RS 25 crore cleared.
4. The Govt proposed making rules easier for PCA banks.  
These rules are to be examined by the Board for the financial supervision of the RBI.

The meeting was a long one, running to 10 hrs. It became an event of national importance for general interest broad sheets otherwise obsessed with politics, Bollywood or cricket. The agreements clearly underscore a new deal where the government would prevail on policy matters, largely in consonance with the unwritten covenant of democracy.



Such intervention would include transfer of reserves and the role of the board. The Govt also appears to have **recognised the need for the autonomy of the RBI**; as a regulator. There will be a review of a lending to small businesses. The govt pointed out RBI's oversight in the management of bad loans and directing the operations of the stressed banks under its perview.

The decision of the RBI to **ease capital buffer norms and restructure small scale loans** upto Rs 25 crore is aimed to lift vast swathes of the Indian economy but some eyebrows were raised. Financial experts are of the opinion that the decision to extend the time line for the full implementation Base III norms by a year affects the public sector banks. **The government's commitment is that all public sector banks should have a Core Equity Tier 1 (CET 1) ratio of at least 8 % by the end of March 2019.**

Regarding **the restructuring of schemes for MSME** (Micro, Small and Medium Entrepreneurs), the protagonists of economic policies opine that it would alleviate some stress points. But it is doubtful whether restructuring without either economic loss absorbed by lenders or a cyclic growth will result in a logical conclusion.

The RBI has been very strict in regulations; since Feb 2018; when it came out with a new framework, for dealing with stressed assets. It did not bow down its head to the various lobby groups which want to dilute the stressed assets rules. It is the power sector only, that got a relief from the rule, following a Supreme Court order.

There has been a Prompt Corrective Action (PCA), according to which the RBI has taken some drastic steps against the erring bosses. This alertness has come since the Rs 13,700 crore scam of the Punjab National Bank, the biggest in the history of the Indian financial sector, came into light.

1. The two top chief executives, Shikha Sarma of Axis Bank and Rana Kapoor, the Promoter of the Yes bank were denied extensions.
2. It refused to comply with Uday Kotak's plan to dilute promoter's stake.
3. It froze Chandra Sekhar Ghosh's remuneration at Bandhan Bank and restricted the branch expansion of it, for not complying with its instructions.
4. It directed small finance banks to follow proper listing rules as mentioned in their licensing agreements, giving up the idea of short cuts.

**Mr Ram Mohan, a professor in IIM, Ahmedabad** welcomed these steps. He aimed that the RBI has been far more severe on private banks of late than in the past and quite appropriately so. A senior

economist is of the opinion that the RBI has been evidently a different entity today since it has taken up the issue of NPA and governance. Though it is not rigid, it is taking a firm stand on many issues. **Whatever stand it takes; it is justified, without any compromise.** The recent firm actions of the RBI have a visible impact on stock prices. A senior official of the RBI has made it clear that the central bank is not at all losing its credibility, after demonetisation. Moreover, **its stringent actions are making it regain its stature.** The top management has given a firm message that they should withstand the pressure and **carry out the clean-up task.**

**Flexibility and Rigidity** are the both sides of one coin. Both are necessary at times. **A sound policy frame work evolves over time and takes into account the needs of different sectors and their different stress points.** While it was important to shake the stressed asset resolution system, the RBI did not seem to acknowledge the externalities that exist for different sectors. Professor Ram Mohan aimed that the time period proposed is not sufficient. 180 days is too short. At least a year should have been provided. Even a day's delay in servicing of debt being regarded as a default is also not reasonable. He suggests that **at least some allowances should have been granted for the infrastructure sector.**

Mr Atanu Mukharji, president at M N Dasthur minced no words. He said that the Feb 12 circular directed the banks to file insolvency and bankruptcy proceedings against loan accounts above Rs 2000 crore, if the stake holders fail to finalise a resolution plan in 180 days. Mr Mukharjee aims that as far as this regulation is concerned, the stance of the RBI cannot be negotiated. Besides making regulations, **the RBI should aim at flexibility and judgment, on the policy front,** whether it is inflation- targeting or reserves management. Any right thinking economist has to agree with this view. He further added that regulations are not fixed in time.

**To Sum up,** both government and the RBI are joint winners in this issue. This is desirable because the RBI's board meeting has **produced agreement rather than conflict.** The regulatory integrity of the central bank is also retained. Some helpful measures are provided to help the (MSMEs) micro, small and medium enterprises. The position of the RBI was accepted by the govt nominees on the board, that Indian banks should have a ratio of capital-to-risk weighted assets of 9%, rather than the 8%, sought for. This will obviously provide the banks with extra resources for giving loans. To meet the target, they will have a year's time.

The RBI, in future will produce a mechanism to restructure bad loans of upto Rs 25 crore, to help MSMEs, a visible favour for them. But it depends on how this makes a material difference to resolution of

bad loans. The underlying assets should be either brought back to swift health or redeployed in the economy, soon. Banks do not have the expertise to provide a significance proportion of MSME credit. Then it is doubtful what expertise they possess, for RBI to wield, to restructure troubled MSMEs. Anyhow, it serves a political purpose, which is, of course, welcome.

The RBI's Board of Financial Supervision, with four RBI directors and all the deputy governors as members and the governor as chairman, will probe into the possibility of tweaking the PCA norms. It is a big deal. A committee will examine as to how much capital RBI needs. RBI can probably manage with less capital. But once its credibility is at stake, it can no longer be the guardian of Indian Economy.

## Artificial Intelligence (AI)

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### Abstract:

It is the science and engineering of making intelligent machine, especially intelligent computer programs. It is related to the similar task of using computer programs. It is related to the similar task of using computers to human intelligence, but AI does not have to confine itself to methods that are biologically observable. While no consensual definition of Artificial Intelligence (AI) exists, AI is broadly characterized as the study of computations that allow for perception, reason and action.

### Keywords

Perception, discerning, computational intelligence, domains, disciplines, programming, generic, modifications, perceive, application, reactive machines, limited memory, theory of mind.

### Introduction

Early AI research in the 1950s explored topics like problem solving and symbolic methods. In the 1960s, the US Department of Defense took interest in this type of work and began training computers to mimic basic human reasoning. For example, the Defense Advanced Research Projects Agency (DARPA) completed street mapping projects in the 1970s. And DARPA produced intelligent personal assistants in 2003, long before Siri, Alexa or Cortana were household names.

This early work paved the way for the automation and formal reasoning that we see in computers today, including decision support systems and smart search systems that can be designed to complement and augment human abilities.

While Hollywood movies and science fiction novels depict AI as human-like robots that take over the world, the current evolution of AI technologies isn't that scary – or quite that smart. Instead, AI has evolved to provide many specific benefits in every industry, in health care, retail and more.

Artificial Intelligence (AI) is the branch of computer science which deals with intelligence of machines where an intelligent agent is a system that takes actions which maximize its chances of success. It is the study of ideas which enable computers to do the things that make people seem intelligent. The central

principles of AI include such as reasoning, knowledge, planning, learning, communication, perception and the ability to move and manipulate objects. It is the science and engineering of making intelligent machines, especially intelligent computer programs.

As technology expands into virtually every corner of human experience, it's clear that computers with sophisticated artificial intelligence (AI) capabilities are more than simply a sum of their chips.

Much like humans, these computers learn from experience. In their case, the experience is gathered from data. Computers are brilliant at computational intelligence – remembering, calculating probability, discerning patterns in datasets too subtle for people to notice. This capacity is harnessed in the field of predictive analytics using machine learning.

AI is accomplished by studying how human brain thinks, and how humans learn, decide, and work while trying to solve a problem, and then using the outcomes of this study as a basis of developing intelligent software and systems.

**AI draws heavily on following domains of study:**

- Computer Science
- Cognitive Science
- Engineering
- Ethics
- Linguistics
- Logic
- Mathematics
- Natural Sciences
- Philosophy
- Physiology
- Psychology
- Statistics

**Philosophy of AI**

As if we see the powers that are exploiting the power of computer system, the curiosity of human lead him to wonder,

**“Can a machine think and behave like humans do?”**

Thus, AI was started with the intention of creating similar intelligence in machines. Also, that we find and regard high in humans.

## Goals of AI

### a. To Create Expert Systems

It is the type of system in which the system exhibit intelligent behavior, and advice its users.

### b. To Implement Human Intelligence in Machines

It is the way of creating the systems that understand, think, learn, and behave like humans.

## What Contributes to AI

Basically, artificial intelligence is based on following disciplines such as

- Computer Science
- Biology
- Psychology
- Linguistics
- Mathematics and
- Engineering

### Programming Without and With AI

The programming without and with AI is different in the following ways –

Programming Without AI	Programming With AI
A computer program without AI can answer the <b>specific</b> questions it is meant to solve.	A computer program with AI can answer the generic questions it is meant to solve.
Modification in the program leads to change in its structure.	AI programs can absorb new modifications by putting highly independent pieces of information together. Hence you can modify even a minute piece of information of program without affecting its structure.
Modification is not quick and easy. It may lead to affecting the program adversely.	Quick and Easy program modification.

### Artificial Intelligence Technique

In the real world, the knowledge has some unwelcomed properties –

- Its volume is huge, next to unimaginable.
- It is not well-organized or well-formatted.
- It keeps changing constantly.

AI Technique is a manner to organize and use the knowledge efficiently in such a way that –

- It should be perceivable by the people who provide it.
- It should be easily modifiable to correct errors.
- It should be useful in many situations though it is incomplete or inaccurate.

AI techniques elevate the speed of execution of the complex program it is equipped with.

## **Applications of AI**

AI has been dominant in various fields such as –

**Gaming** – AI plays crucial role in strategic games such as chess, poker, tic-tac-toe, etc., where machine can think of large number of possible positions based on heuristic knowledge.

In the earlier days gaming technology was not broadened. Physicist Willy Higinbotham created the first video game in 1958. It was called “Tennis For Two” and oscilloscope was designed. But now AI technology has become vast and standard has also been increased. Eg: sudoku, fear, fallout etc.

**Antivirus** – Artificial intelligence (AI) techniques have played increasingly important role in antivirus detection. At present, some principal artificial intelligence techniques applied in antivirus detection. It improves the performance of antivirus detection systems, and promotes the production of new artificial intelligence algorithm and the application in antivirus detection to integrate antivirus detection with artificial intelligence.

**Music** – Scientists are trying to make the computer emulate the activities of the skillful musician. Composition, performance, music theory, sound processing are some of the major areas on which research in Music and Artificial Intelligence are focusing on. Eg:chucks, Orchestra, smart music etc.

**Heavy Industries** – Huge machines involve risk in their manual maintenance and working. So it becomes necessary part to have an efficient and safe operation agent in their operation.

**Medicine** – A medical clinic can use AI systems to organize bed schedules, make a staff rotation, and provide medical information. AI has also application in fields of cardiology (CRG), neurology (MRI), embryology (sonography), complex operations of internal organs etc.

**Natural Language Processing** – It is possible to interact with the computer that understands natural language spoken by humans.

**Expert Systems** – There are some applications which integrate machine, software, and special information to impart reasoning and advising. They provide explanation and advice to the users.

**Vision Systems** – These systems understand, interpret, and comprehend visual input on the computer. For example,

- A spying aeroplane takes photographs, which are used to figure out spatial information or map of the areas.
- Doctors use clinical expert system to diagnose the patient.
- Police use computer software that can recognize the face of criminal with the stored portrait made by forensic artist.

**Speech Recognition** – Some intelligent systems are capable of hearing and comprehending the language in terms of sentences and their meanings while a human talks to it. It can handle different accents, slang words, noise in the background, change in human's noise due to cold, etc.

**Handwriting Recognition** – The handwriting recognition software reads the text written on paper by a pen or on screen by a stylus. It can recognize the shapes of the letters and convert it into editable text.

**Intelligent Robots** – Robots are able to perform the tasks given by a human. They have sensors to detect physical data from the real world such as light, heat, temperature, movement, sound, bump, and pressure. They have efficient processors, multiple sensors and huge memory, to exhibit intelligence. In addition, they are capable of learning from their mistakes and they can adapt to the new environment.

### **Some other Applications**

- Credit granting
- Information management and retrieval
- AI and expert systems embedded in products
- Plant layout
- Help desks and assistance
- Employee performance evaluation
- Shipping
- Marketing
- Warehouse optimization
- In space workstation maintenance
- Satellite controls
- Network developments
- Military activity control
- Nuclear management

### **Types of Artificial Intelligence**

There are four types of artificial intelligence: reactive machines, limited memory, theory of mind and self-awareness.

#### **1. Reactive Machines**

The most basic types of AI systems are purely reactive, and have the ability neither to form memories nor to use past experiences to inform current decisions. Deep Blue, IBM's chess-playing supercomputer, which beat international grandmaster Garry Kasparov in the late 1990s, is the perfect example of this type of machine.

Deep Blue can identify the pieces on a chess board and know how each moves. It can make predictions about what moves might be next for it and its opponent. And it can choose the most optimal moves from among the possibilities.



But it doesn't have any concept of the past, nor any memory of what has happened before. Apart from a rarely used chess-specific rule against repeating the same move three times, Deep Blue ignores everything before the present moment. All it does is look at the pieces on the chess board as it stands right now, and choose from possible next moves.

This type of intelligence involves the computer perceiving the world directly and acting on what it sees. It doesn't rely on an internal concept of the world. In a seminal paper, AI researcher Rodney Brooks argued that we should only build machines like this. His main reason was that people are not very good at programming accurate simulated worlds for computers to use, what is called in AI scholarship a "representation" of the world.

The current intelligent machines we marvel at either have no such concept of the world, or have a very limited and specialized one for its particular duties. The innovation in Deep Blue's design was not to broaden the range of possible moves the computer considered. Rather, the developers found a way to narrow its view, to stop pursuing some potential future moves, based on how it rated their outcome. Without this ability, Deep Blue would have needed to be an even more powerful computer to actually beat Kasparov.

Similarly, Google's AlphaGo, which has beaten top human Go experts, can't evaluate all potential future moves either. Its analysis method is more sophisticated than Deep Blue's, using a neural network to evaluate game developments.

These methods do improve the ability of AI systems to play specific games better, but they can't be easily changed or applied to other situations. These computerized imaginations have no concept of the wider world – meaning they can't function beyond the specific tasks they're assigned and are easily fooled.

They can't interactively participate in the world, the way we imagine AI systems one day might. Instead, these machines will behave exactly the same way every time they encounter the same situation. This can be very good for ensuring an AI system is trustworthy: You want your autonomous car to be driven by a reliable driver. But it's bad if we want machines to truly engage with, and respond to, the world. These simplest AI systems won't ever be bored, or interested, or sad.

## **2. Limited Memory**

This Type II class contains machines which can look into the past. Self-driving cars do some of this already. For example, they observe other cars' speed and direction. That can't be done in a just one moment, but rather requires identifying specific objects and monitoring them over time.

These observations are added to the self-driving cars' preprogrammed representations of the world, which also include lane markings, traffic lights and other important elements, like curves in the road. They're included when the car decides when to change lanes, to avoid cutting off another driver or being hit by a nearby car.

But these simple pieces of information about the past are only transient. They aren't saved as part of the car's library of experience it can learn from, the way human drivers compile experience over years behind the wheel.

So how can we build AI systems that build full representations, remember their experiences and learn how to handle new situations? Brooks was right when he says it is very difficult to do this. My own research into methods inspired by Darwinian evolution can start to make up for human shortcomings by letting the machines build their own representations.

### **3. Theory of Mind**

We might stop here, and call this point the important divide between the machines we have and the machines we will build in the future. However, it is better to be more specific to discuss the types of representations machines need to form, and what they need to be about.

Machines in the next, more advanced, class not only form representations about the world, but also about other agents or entities in the world. In psychology, this is called “theory of mind” – the understanding that people, creatures and objects in the world can have thoughts and emotions that affect their own behavior.

This is crucial to how we humans formed societies, because they allowed us to have social interactions. Without understanding each other's motives and intentions, and without taking into account what somebody else knows either about me or the environment, working together is at best difficult, at worst impossible.

If AI systems are indeed ever to walk among us, they'll have to be able to understand that each of us has thoughts and feelings and expectations for how we'll be treated. And they'll have to adjust their behavior accordingly.

### **4. Self-Awareness**

The final step of AI development is to build systems that can form representations about themselves. Ultimately, we AI researchers will have to not only understand consciousness, but build machines that have it.

This is, in a sense, an extension of the “theory of mind” possessed by Type III artificial intelligences. Consciousness is also called “self-awareness” for a reason. (“I want that item” is a very different statement from “I know I want that item.”) Conscious beings are aware of themselves, know about their internal states, and are able to predict feelings of others. We assume someone honking behind us in traffic is angry or impatient, because that's how we feel when we honk at others. Without a theory of mind, we could not make those sorts of inferences.

While we are probably far from creating machines that are self-aware, we should focus our efforts toward understanding memory, learning and the ability to base decisions on past experiences. This is an important step to understand human intelligence on its own. And it is crucial if we want to design or evolve machines that are more than exceptional at classifying what they see in front of them.

### **Importance of Artificial Intelligence**

- AI automates repetitive learning and discovery through data. But AI is different from hardware-driven, robotic automation. Instead of automating manual tasks, AI performs frequent, high-volume, computerized tasks reliably and without fatigue. For this type of automation, human inquiry is still essential to set up the system and ask the right questions.
- AI adds intelligence to existing products. In most cases, AI will not be sold as an individual application. Rather, products you already use will be improved with AI capabilities, much like Siri was added as a feature to a new generation of Apple products. Automation, conversational platforms, bots and smart machines can be combined with large amounts of data to improve many technologies at home and in the workplace, from security intelligence to investment analysis.
- AI adapts through progressive learning algorithms to let the data do the programming. AI finds structure and regularities in data so that the algorithm acquires a skill: The algorithm becomes a classifier or a predictor. So, just as the algorithm can teach itself how to play chess, it can teach itself what product to recommend next online. And the models adapt when given new data. Back propagation is an AI technique

that allows the model to adjust, through training and added data, when the first answer is not quite right.

- AI analyzes more and deeper data using neural networks that have many hidden layers. Building a fraud detection system with five hidden layers was almost impossible a few years ago. All that has changed with incredible computer power and big data. You need lots of data to train deep learning models because they learn directly from the data. The more data you can feed them, the more accurate they become.
- AI achieves incredible accuracy through deep neural networks – which was previously impossible. For example, your interactions with Alexa, Google Search and Google Photos are all based on deep learning – and they keep getting more accurate the more we use them. In the medical field, AI techniques from deep learning, image classification and object recognition can now be used to find cancer on MRIs with the same accuracy as highly trained radiologists.
- AI gets the most out of data. When algorithms are self-learning, the data itself can become intellectual property. The answers are in the data; you just have to apply AI to get them out. Since the role of the data is now more important than ever before, it can create a competitive advantage. If you have the best data in a competitive industry, even if everyone is applying similar techniques, the best data will win.

### **Conclusion**

Till now we have discussed Artificial Intelligence in brief. We have discussed some of its principles, its applications, its achievements etc. The ultimate goal of institutions and scientists working on AI is to solve majority of the problems or to achieve the tasks which we humans directly can't accomplish. It is for sure that development in this field of computer science will change the complete scenario of the world. Now it is the responsibility of the creamy layer of engineers to develop this field.

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## **“Me too” An upsurge among women against sexual abuse**

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### **Abstract:**

'Me too' movement is spreading like wildfire from the west to our country. Though it started one year ago there, Indian women have risen to the occasion now. Many celebrities in the fields of film industry, journalism, politics and sports are facing allegations by affected women, who lost their self respect and who were subjected to untold mental and physical torture. Being afraid of intimidation in their career or otherwise, women have been silent for long. Recently, they are coming forward to reveal the injustice done to them. The so called decent gentlemen in their respective fields, who had a great fan-following till now, have been set aback, all of a sudden. Though it seems to be confined to higher classes, it was, it is and it will be there, as long as this male chauvinistic society considers women as sex-symbols.

**Keywords:** Allegations, intimidation, male-chauvinistic, at the helm of affairs, patriarchal, extra-material, harmons, sociologists, injustice, harassment, abuse, regime, relentless, social-media, rescue-camp, tormenting, atrocities, entitled, expose, threats, protest, kith and kin, feudal, capitalist, consequence, healthy change.

Mr. M. J. Akbar, the central minister of state for external affairs, has faced 'Me too' allegations by a lady journalist. At first he refuted the charges as baseless, but when the media and women-associations mounted pressure on him, he had to resign, desperately. In a tweet, he informed that he will fight against it in a court of law and prove himself innocent. But when many people confirmed that the allegations are true and they will submit proofs, Akbar's ways output are blocked.

What the courts of the country decide is another issue. How the celebrities facing allegations should act, when they face such allegations is the real issue. Even Rahul Gandhi is focusing his attention on Akbar, diverting from Rafel controversy. As the general elections are at hand, this episode may harm BJP to some extent.

### **'Me too' Allegations that occupied the headlines**

1. Harvey Vinsteen, famous Hollywood director was alleged to be a 'serial rapist' of upcoming artists, who sought his help in their career.
2. Famous painter Jatindar faced the allegations from women that he used to harass them sexually, when they worked with him as models.
3. The National President of the NSUI was forced to resign to his post, as he resorted to sexual abuse on women.
4. Actor Nana patekar faced these allegations from the actress, Tanusridatta.
5. 30 yrs ago, in 1988, the then DGP of Punjab, KPS Gill misbehaved with the lady IAS officer Rupan Deval Bajaj. She did not get any support then. Those who are at the helm of affairs in the government even advised her not to drag on the issue. She fought a relentless battle against Gill, alone and finally the courts held him guilty, only after 17 years.
6. Utsav chakravarthi, a noted writer and comedian in the 'U' tube comedy trrop, 'AIB', was alleged to be harassing women artists sexually.

### **The History**

In India, as the saying goes, “Yathra Naryasthu Pujyan the Raman the Thathra Devathah” where women are respected, Gods dwell there. But unfortunately, Indian family structure was based on a patriarchal doctrine, where in men dominated women in all aspects. 'Manu', who laid down the laws for Indian society, cruelly said, “ Na sthree swathanthramarhathi”, which means woman is not entitled to freedom. How biased ! how cruel !

During the regime of ancient kings, writers wanted to enlighten people sexually, by depicting healthy sex in their writings. Extra-marital relationships were looked down upon in those days. Kings built great temples, on the Gopuras of which sexual gestures were carved by sculptors, to impart sexual education to the public. During the 17th-18th centuries, Ayyalaraju Narayana mathya through his work “Hamsa vimsathi”, and Pandit Kadiripathi, through his Sukasaphathi stories, taught high ethics in the sexual life of people. To establish good, by exposing evil was the motto of art and literature then. The sage vatsayana, through his wonderful book “Kama sutra” rendered great service in the field of sexual education.

But unfortunately, the feudal and capitalist sections of the society distorted the noble ideas to their selfish ends and resorted to sexual abuse on the weaker sections. Moreover, such tendency has spread to journalists, actors, film directors, writers, musicians, corporate stalwarts , political leaders, police and the army.

### **Other side of the coin**

There are a number of people who oppose “Me too” movement. They question why the victims are coming out so late. When the Republicans in the US selected 'Bret Kevana' as Supreme Court judge, the same allegations are leveled. During the consequent investigation, Mr Donald Trump asked the same question. He too is a notorious sexologist!

But the American women successfully opposed this. They asked, “Why not now!”. This was possible only because of the extensive mass media.

### **The Brighter side**

Previously, the avenues for the victims were so limited, to expose and fight the evil. Even those chances are subject to the rule of law. But now, as per the guidelines of the Supreme Court, when women are subjected to sexual harassment in their work places, internal committees are constituted to look into the matter and take action against the guilty. Similarly if any woman wants to complain to the police or file a case in the court, there are provisions in the law now. But it is a long process where justice is delayed, if not denied. Moreover such victims have to fight alone. But in the social media, such problems do not arise. A voice is joined by hundreds and thousands of right thinking other voices which give moral support to the victim. But it is not so easy to expose such sensitive problems through mass media. She has to face threats in this process. Until and unless she is agonised much, she dare not expose it through the social media. Fortunately, modern woman is coming forward boldly to reveal the injustice done to her. The social media acts like a bridge between the victim and her supporters. Better late than never, 'Me too' started exposing the sexual perverts in all fields. Even political parties and their affiliated associations have to bow down their head before this movement.

### **The Psychological aspect**

This epidemic has not only affected young women but also married women. 80% of the wives are facing sexual abuse from their husbands, according to a recent survey 27 % of the unmarried girls are facing this from their kith and kin, 17% from their acquaintances. “National Family Health Survey” recorded that in majority of the cases of sexual harassment, the reports are missing!



Prof Smt Prāchi Yadav, a famous psychologist and a scientist in the “Tata Institute of Social Sciences” revealed the effect of hormones on the victims as well as the culprits. She aims: “Those who commit sexual harassment are psychos. Their feelings vary from person to person. But the victims become paralysed mentally and physically. The ghastly incident keeps haunting them throughout their life. This injury may be inflicted by their life-partner or family member, friend or even unknown persons even children may be subjected to this sadistic pain. The main reason for this behaviour lies in the every brain in the mental process of human being. The hormones in the parts of the body react instantly to these sexual attacks. The victim, immediately after the attack, decides what to do, i.e., whether to protest or to run away. This deciding factor is determined by the 'kateko lamine hormone' in the brain. Similarly, the 'kortisol' hormones give the victim the necessary strength to fight against the abuse. Oftentimes, the victim forgoes the power of reasoning, during the attack, due to the effect of “oxytosin” hormones.

The sociologists and socio-activists should think in this angle too to curb such cases. Mahakavi Gurajada Apparao propagated some noble ideas in the ever time classic, “kanyasulakam”. He said, “ I know the lives of our women. So I decided to argue in their favour”. Madhuravani, a prostitute, in the play says to Soujanya Rao. “My mother told me not to spoil those who are pure and innocent”. This is really a thought-provoking message to the mankind.

### **Kangoian doctor, Dems makweez and Iraqi woman Murad Nadiya: The fighters against sexual violence: Further inspirations to “Me too”**

These Two rare human being staged a relentless fight against sexual violence in the regions where wars and internal wars destabilise public life. They received the prestigious noble prize for peace. The award committee in OSIO praised them that they fought tooth and nail to prevent sexual violence to be used as a weapon in wars. The UNO welcomed this announcement. The committee chairman, Berit Rees Anderson commented that during the times of war the rights and security of women should be upheld. Then only a peaceful world comes into existence. The two awardees sacrificed their personal safety to achieve this noble cause. Dr. Makweez has been treating the women to recover from the physical and mental torture, after they are subjected to sexual abuse, during war. He is affectionately called “Dr. Miracle”.

Murad was kidnapped by IS terrorists in 2014. She escaped from her captivity after 3 months, adventurously. The Islamic state terrorists invaded a village in North Iraq, killed men, and kidnapped women and girls. They made them their sexual slaves, tormenting them physically and mentally. Murad Nadiya was one of such victims. She escaped with great difficulty and in a rescue camp she came across Amal Klunee, a British Lawyer and human rights-activist. She decided to expose the atrocities on Iraqi girls to the world. She raised her voice on the platform of the U. N. O. As a consequence, nearly four and half lakhs of victims were realised from the IS hell-camps.

Murad Nadiya wrote a book, “The lost girl”, depicting the pitiable conditions of the kidnapped yajidee victims. It was published in 2017. Amal kluni wrote the foreword for the book. Escaping from the terrorists is not an ordinary thing. It needs a lot of mental courage. In this regard Nadiya's unflinching spirit is unique. She was threatened to death many times but she was never afraid. She is touring all over the world counseling the victims of war. After she escaped, the BBC Persian correspondent met her and requested to interview her confidentially. But she boldly agreed to reveal to the world what happened, without caring the consequences.

### **Conclusion**

It is the responsibility of the society to create a safe and favourable atmosphere for women, if they are to flourish in all walks of life. The sincerity of the rulers only can provide them such an atmosphere. The awareness among women, their courage to reveal, their commitment will certainly pave the way for a 'healthy change' in men.

## **Start-up: A wonderful opportunity for entrepreneurs with creative ideas: A Big Boost for their self-sufficiency**

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### **Abstract:**

'Start up India' is an initiative of the Govt of India, the brain child of our prime minister, Sri Narendra Modi, who announced this constructive scheme, on August 15, 2015, during his address. The base of this prestigious programme is simplification and handholding of process to those who aspire to start their own business organisation, funding support to them, offering various incentives combining Industry and Academicians. It is meant to do away with cumbersome government policies like licenses, land permissions, environmental clearances etc. Under this initiative, the government has already launched "I-made" Programme, which helps the new entrepreneurs build 1 million mobile app start-ups and the "Pradhan Manthri Mudra Yojana" to provide loans to them at low-interest rates. The Govt has allocated Rs 200 billion of initial capital to this.

Undoubtedly, such measures will motivate the young entrepreneurs, especially management professionals, to come out with novel ideas in business.

### **Key words:**

Campaign, entity, ecosystem, conducive, Incubation, mentorship, collaboration, patents, criteria, compliance, environment, venture, exemption, stake holders, innovation, liability, incorporate, capital-gain, fair-market value, acquisition, carry forward losses.

### **Contribution of central government**

The ministry of Human Resource Development and The Department of Science and Technology have agreed to take part in an initiative to set up over 75 start up support hubs in the NITs (The National Institute of Technology), The IITs (The Indian Institute of Technology), the IIITs (The Indian Institute of Information Technology) etc prestigious centers of learning. Even the Reserve Bank of India (RBI) will go ahead to help improve the "ease of doing business" in the country, and contribute to an ecosystem that is conducive for the growth of start-ups.

International tycoons like Soft Bank of Japan, Google, Oracle and many other multinational companies have invested billions of dollars into Indian start-ups.

### **Contribution of the states**

Some of the state governments are very enthusiastic in this regard. The government of Kerala has initiated a start-up policy called "Kerala IT mission", which focuses on fetching Rs 50 Billion in investments, for the state's start up ecosystem. India's first telecom incubator startup village was founded in Kerala in 2012. The state of telangana has launched the largest incubation center in India, called 'T-hub'. Andhra Pradesh has allocated a 17,000 sq.ft Land for Technological Research and Innovation Park, as a research and development laboratory. It has also created a fund called "Initial Innovation Fund" of 100 crore for budding entrepreneurs. The government of Madhya Pradesh has collaborated with the Small Industries Development Bank of India (SIDBI) to create a mighty fund. Rajasthan has also launched a "start up oasis" scheme.

### **Alliances with higher education**

The Union Ministry of Human Resource Development has announced plans for the development of “Research parks”, as per the “Industry Academia Partnership and Incubation” focus of the startup India initiative. These parks will be created in partnership with higher education providers across the country. Rs 100 crores has been earmarked, for this programme, as an initial investment, to provide students with access to funds and mentorship for start-ups. The innovation in Mobile App Development ecosystem (I-MADE) Programme was also rolled out in 2016. It aims to help Indian entrepreneurs to create mobile app startups, in partnership with the dept of telecommunications, Govt of India, Telecom Centers of Excellence (TCOE), EVC Ventures etc. This programme is scheduled to last for 5 years, in collaboration with 11 Indian Universities.

### **Benefits and Incentives Offered by the Govt of India to Start ups**

Many benefits and incentives are being granted to entrepreneurs establishing startups, to promote growth and help Indian Economy. The entire process of registration to start an organisation is fairly simplified now. It is completely on line. The Govt of India has launched a mobile app and a website for this. The government provides lists of facilitators of patents and trademarks. The government provides lists of facilitators of patents and trademarks. The government bears all facilitator fees and the entrepreneur bears only the statutory fees. They will enjoy 80% reduction in the cost of filing patents.

The government has setup a Rs 10,000 crore fund to provide funds to the startups as venture capital. It also gives guarantee to the financiers to encourage banks and other funding agents, for providing venture capital. Moreover, startups will be exempted from income tax for 3 years, if they get certified by IMB (Inter Ministerial Board).

Startups can apply for government tenders. They are exempted from the “Prior experience/turnover” criteria applicable to others. In the Research and Development sector, 7 new research parks are going to be setup, to provide facilities for them, in the near future. To save time and money, various compliances have been simplified for start-ups which are allowed to self-certify compliance, through the startup mobile app. They will have an option to choose their investors too.

In case they want to exit, they can close their business within 90 days from the date they applied for winding up the firm. The Govt also has proposed to hold 2 startup fests annually both nationally and internationally, to enable the various stakeholders of a startup to meet and interact one another.

### **Eligibility Criteria for Startups**

As per the startup India action plan, to be eligible as startup, the following conditions must be fulfilled. Firstly, it should be registered in India for not less than 7 years. If it is a biotechnology startup, It should be 10 years. Secondly, Its annual turnover should not have exceeded Rs 25 crore, in any of the preceding financial years. Thirdly, It should aim at working towards innovation, development, deployment of new products, processes or services driven by technology or intellectual property. Fourthly, it should not be formed by splitting up or reconstruction of a business that already exists. Fifthly, It should obtain a certificate from the IMB (Inter Ministerial Board), setup for such a purpose. Sixthly, It can be incorporated as a private limited company, registered partnership firm company, registered partnership firm or a limited liability partnership.

### **Tax exemptions allowed**

The startups incorporated after April 1, 2016 are eligible for getting 100% tax rebate on profit, for a period of 3 years, in a block of seven years, provided their annual turnover does not exceed Rs 25 crore, in any financial year. This measure will boost them to meet their working capital requirements, during their



initial years of operation. Further, as per the new section 54 EE of the IT act, tax on a long term capital gain will be exempted for the eligible start-ups, if such a long term capital gain or a part of it is invested in a fund notified by the central government, within a period of six months from the date of transfer of the asset.

The government has exempted the tax being levied on investments above the fair market value, in eligible start ups. The investments made by incubators above fair market value are also exempted. Under section 54 GB of the Income tax act, if an individual or HUF sells a residential property and invests the capital gains to subscribe the 50 % or more equity shares of the eligible start-ups, then tax on long term capital will be exempted, provided such shares are not sold or transferred within 5 years from the date of its acquisition. In case of a change in shareholding pattern, set off of carry-forward losses and capital gains is allowed. Thus such Tax exemptions make the entrepreneurs boosted.

### **The Recent Trend: Questioning the valuations and exemption to start-ups**

The ministry of corporate affairs has recently made a move to question the valuations and exemptions to startups. This is nothing but arbitrary which makes the ease of doing business a mockery. Earlier, the income tax department too had raised tax demands on these unlisted companies, alleging excessive valuation in share precautions. But the startups have already been exempted from the so called anti-abuse rules. Some move or other like these will certainly defeat the very purpose of the prime minister, to further encourage the budding entrepreneurs in the country.

The ministry of corporate affairs demands explanation on the valuation of startups who have fallen after the first round of funding. This is nothing but sheer ignorance of how start ups are valued, because such valuation is unpredictable and imputing a fair value is subjective. Investors in Indian start-ups are normally issued shares at a commercially negotiated price. Genuine companies issue them at a premium to bolster their capital base. But the fear of the government agencies is that fake promoters may issue shares at a premium to domestic investors, as a convenient wrong route to launder some of their uncounted financial resources.

But their fear is baseless. Tracking the source of funds of the investors is very easy today; with the mandatory mapping of the IT PAN with Aadhaar. The general anti-avoidance rules are also being enforced to prevent sharp tax practices. So government agencies must eschew raising arbitrary demands that throttle the startup ecosystem.

### **Some highly successful startups among the top 100 in India in 2018**

- 1) 9 Stacks is bringing alive the classic poker on-screen. It is a unique concept binding all the poker lovers together under one roof to start the game with a stack of poker chips.
- 2) Active.ai makes it possible to give a human touch to conversational Banking Services. They have made it possible to make conversations less robotic and consumer oriented, making the doubt solving process simpler
- 3) AEON Learning This startup is a boon to working professionals. They provide degrees in various management courses from prestigious universities, through e-learning.
- 4) Ask Arvi Finding a right insurance is like finding a right partner in life. They have been doing a great job in automating this system, letting people find a perfect plan from their itself.
- 5) Biryani By Kilo This startup has targeted India's most favorite food Biryani. Now it dwells in the veins of lakhs of food-lovers. It sends Biryani parcels to your doorstep. It has achieved a rating of 4.0 on Zomato.

- 6) Boxx. Ai Artificial intelligence has no doubt, bright future. This organisation uses the Ai to solve problems that enterprises face, in a more affordable way, making it more accessible to all.
- 7) Cash Suvidha The Delhi based start up encourages the upcoming start ups in the form of monetary help. They give funding just in 3 days.
- 8) Call Health is a technology powered health care company which brings health care services to the doorstep of the customer. Its investor is none other than the cricket-stalwart, Mr. Sachin Tendulkar.
- 9) Doctor Insta It offers its services to get doctors advice through video call or chat.
- 10) Ecom Express has established itself as one of the trusted and reliable names in delivery services to e-commerce industry. It provides end-to-end logistics in an express way.

The above mentioned start ups are only a few examples. So many new ones are springing up year after year. But most of their services are confined to only urban community. Young and enthusiastic entrepreneurs should embark on ideas which benefit the rural masses such as crop insurance, Agriculture-funding, scientists' advice on suitable crops, manufacturing agro-based equipment at low prices, setting up cold storages in rural areas, setting up agro-based small scale industries etc. As India is an agronomy, such meaningful start-ups can change the villages and usher a new era into the lives of rural masses.

But the picture in Agricultural sector is not so meagre. Identifying the imperative need of this key sector of technology enabled solutions, the startup, SATSURE uses a combination of satellite and weather data and information captured through IOT devices and drones to provide answers on crop volume, crop health, yield and suggested harvesting dates. It recently introduced an emergency floods and built portal for the Kerala floods and build models for crop damage due to cyclone Titli in Srikakulam district of A.P., for mid-season calamity crop insurance payments.

Similarly, another agri-tech company Vasar Labs uses artificial intelligence and IOT to develop water management and agricultural advisory services. It uses satellite based weather advisory and soil moisture data and other IOT sensors, to predict the amount of water needed for normal yields, date of sowing advisory, pest and diseases forecast etc.

Thus, the startup culture is using innovation and technology to transform India, in all sectors.

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## **The Goods and Services Tax- Its Pros & Cons: Its repercussions on Indian Economy**

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### **Abstract**

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.

### **Keywords**

Goods and service tax; Indian economy, comprehensive tax, amalgamation, cascading, subsume, regime, reverse charge mechanism, loopholes, consensus, heterogeneous taxation system, fallouts, incremental revenue, e-commerce, teledensity.

### **Introduction**

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level [1]. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system.

On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%.

Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods.

In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of credits. The current system taxes production, whereas the GST will aim to tax consumption.

**Experts have enlisted the benefits of GST as under:**

- It would introduce two-tiered One-Country-One-Tax regime.
- It would subsume all indirect taxes at the center and the state level.
- It would not only widen the tax regime by covering goods and services but also make it transparent.
- It would free the manufacturing sector from cascading effect of taxes, thus by improve the cost-competitiveness of goods and services.
- It would bring down the prices of goods and services and thus by, increase consumption.
- It would create business-friendly environment, thus by increase tax-GDP ratio.
- It would enhance the ease of doing business in India.

**History**

The reform of India's indirect tax regime was started in 1986 by Vishwanath Pratap Singh, Finance Minister in Rajiv Gandhi's government, with the introduction of the Modified Value Added Tax (MODVAT). Subsequently, Prime Minister P V Narasimha Rao and his Finance Minister Manmohan Singh, initiated early discussions on a Value Added Tax (VAT) at the state level. A single common "Goods and Services Tax (GST)" was proposed and given a go-ahead in 1999 during a meeting between the Prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by the Finance Minister of West Bengal, Asim Dasgupta to design a GST model.

The Ravi Dasgupta committee which was also tasked with putting in place the back-end technology and logistics (later came to be known as the GST Network, or GSTN, in 2017). It later came out for rolling out a uniform taxation regime in the country. In 2002, the Vajpayee government formed a task force under Vijay Kelkar to recommend tax reforms. In 2005, the Kelkar committee recommended rolling out GST as suggested by the 12th Finance Commission.

After the defeat of the BJP-led NDA government in the 2004 Lok Sabha election and the election of a Congress-led UPA government, the new Finance Minister P Chidambaram in February 2006 continued work on the same and proposed a GST rollout by 1 April 2010. However, in 2011, with the Trinamool Congress routing CPI (M) out of power in West Bengal, Asim Dasgupta resigned as the head of the GST committee. Dasgupta admitted in an interview that 80% of the task had been done.

In the 2014 Lok Sabha election, the Bharatiya Janata Party-led NDA government was elected into power. With the consequential dissolution of the 15th Lok Sabha, the GST Bill – approved by the standing committee for reintroduction – lapsed. Seven months after the formation of the Modi government, the new Finance Minister Arun Jaitley introduced the GST Bill in the Lok Sabha, where the BJP had a majority. In

February 2015, Jaitley set another deadline of 1 April 2017 to implement GST. In May 2016, the Lok Sabha passed the Constitution Amendment Bill, paving way for GST. However, the Opposition, led by the Congress, demanded that the GST Bill be again sent back for review to the Select Committee of the Rajya Sabha due to disagreements on several statements in the Bill relating to taxation. Finally in August 2016, the Amendment Bill was passed. Over the next 15 to 20 days, 18 states ratified the Constitution amendment Bill and the President Pranab Mukherjee gave his assent to it.

A 21-member selected committee was formed to look into the proposed GST laws. After GST Council approved the Central Goods and Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill), these Bills were passed by the Lok Sabha on 29 March 2017. The Rajya Sabha passed these Bills on 6 April 2017 and were then enacted as Acts on 12 April 2017. Thereafter, State Legislatures of different States have passed respective State Goods and Services Tax Bills. After the enactment of various GST laws, Goods and Services Tax was launched all over India with effect from 1 July 2017. The Jammu and Kashmir state legislature passed its GST act on 7 July 2017, thereby ensuring that the entire nation is brought under an unified indirect taxation system. There was to be no GST on the sale and purchase of securities. That continues to be governed by Securities Transaction Tax (STT).

### **Launch**

The GST was launched at midnight on 1 July 2017 by the President of India, Pranab Mukherjee, and the Government of India. The launch was marked by a historic midnight (30 June – 1 July) session of both the houses of parliament convened at the Central Hall of the Parliament. Though the session was attended by high-profile guests from the business and the entertainment industry including Ratan Tata, it was boycotted by the opposition due to the predicted problems that it was bound to lead for the middle and lower class Indians. It is one of the few midnight sessions that have been held by the parliament - the others being the declaration of India's independence on 15 August 1947, and the silver and golden jubilees of that occasion. After its launch, the GST rates have been modified multiple times, the latest being on 18 January 2018, where a panel of federal and state finance ministers decided to revise GST rates on 29 goods and 53 services.

Members of the Congress boycotted the GST launch altogether. They were joined by members of the Trinamool Congress, Communist Parties of India and the DMK. The parties reported that they found virtually no difference between the GST and the existing taxation system, claiming that the government was trying to merely rebrand the current taxation system. They also argued that the GST would increase existing rates on common daily goods while reducing rates on luxury items, and affect many Indians adversely, especially the middle, lower middle and poorer income groups.

## **Tax**

### **Taxes subsumed**

The single GST subsumed several taxes and levies which included: central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroi. Other levies which were applicable on inter-state transportation of goods have also been done away with in GST regime. GST is levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/or services.

India adopted a dual GST model, meaning that taxation is administered by both the Union and State Governments. Transactions made within a single state are levied with Central GST (CGST) by the Central Government and State GST (SGST) by the State governments. For inter-state transactions and imported goods or services, an Integrated GST (IGST) is levied by the Central Government. GST is a consumption-based tax/destination-based tax, therefore, taxes are paid to the state where the goods or services are consumed not the state in which they were produced. IGST complicates tax collection for State Governments by disabling them from collecting the tax owed to them directly from the Central Government. Under the previous system, a state would only have to deal with a single government in order to collect tax revenue.

### **HSN code in GST no**

HSN (Harmonized System of Nomenclature) is an 8-digit code for identifying the applicable rate of GST on different products as per CGST rules.

- If a company has turnover up to 1.5 Crore in the preceding financial year then they need not mention the HSN code while supplying goods on invoices.
- If a company has turnover more than 1.5 Crore but up to 5 Cr then they need to mention the first 2 digits of HSN code while supplying goods on invoices.
- If turnover crosses 5 Cr then they shall mention the first 4 digits of HSN code on invoices

### **Rates**

The GST is imposed at variable rates on variable items. The rate of GST is 18% for soaps and 28% on washing detergents. GST on movie tickets is based on slabs, with 18% GST for tickets that cost less than Rs. 100 and 28% GST on tickets costing more than Rs.100 and 5% on readymade clothes. The rate on under-construction property booking is 12%. Some industries and products were exempted by the government and remain untaxed under GST, such as dairy products, products of milling industries, fresh vegetables & fruits, meat products, and other groceries and necessities.

Checkposts across the country were abolished ensuring free and fast movement of goods.

The Central Government had proposed to insulate the revenues of the States from the impact of GST, with the expectation that in due course, GST will be levied on petroleum and petroleum products. The central



government had assured states of compensation for any revenue loss incurred by them from the date of GST for a period of five years. However, no concrete laws have yet been made to support such action. GST council adopted concept paper discouraging tinkering with rates.

### **E-Way Bill**

An e-Way Bill is an electronic permit for shipping goods similar to a waybill. It was made mandatory for inter-state transport of goods from 1 June 2018. It is required to be generated for every inter-state movement of goods beyond 10 kilometres (6.2 mi) and the threshold limit of Rs 50,000 (US\$700).

It is a paperless, technology solution and critical anti-evasion tool to check tax leakages and clamping down on trade that currently happens on a cash basis. The pilot started on 1 February 2018 but was withdrawn after glitches in the GST Network. The states are divided into four zones for rolling out in phases by end of April 2018.

A unique e-Way Bill Number (EBN) is generated either by the supplier, recipient or the transporter. The EBN can be a printout, SMS or written on invoice is valid. The GST/Tax Officers tally the e-Way Bill listed goods with goods carried with it. The mechanism is aimed at plugging loopholes like overloading, understating etc. Each e-way bill has to be matched with a GST invoice.

The official Android mobile app can be used for generating an e-way bill, with powerful features for easy generation and for maintaining records. The e-way bill can also be generated or cancelled through an SMS.

Transporter ID and PIN Code now compulsory from 01-Oct-2018.

It is a critical compliance related GSTN project under the GST, with a capacity to process 75 lakh e-way bills per day.

### ***Intra-State e-Way Bill***

The five states piloting this project are Andhra Pradesh, Gujarat, Kerala, Telangana and Uttar Pradesh, which account for 61% of the inter-state e-way bills, started mandatory intra-state e-way bill from 15 April 2018 to further reduce tax evasion. It was successfully introduced in Karnataka from 1 April 2018. The intra-state e-way bill will pave the way for a seamless, nation-wide single e-way bill system. Six more states Jharkhand, Bihar, Tripura, Madhya Pradesh, Uttarakhand and Haryana will roll it out from 20 April 18. All states are mandated to introduce it by May 30, 2018.

### **Reverse Charge Mechanism**

Reverse Charge Mechanism (RCM) is a system in GST where the receiver pays the tax on behalf of unregistered, smaller material and service suppliers. The receiver of the goods is eligible for Input Tax Credit, while the unregistered dealer is not.

The Payment of Tax Under RCM (Reverse Charge Mechanism) on Purchase from unregistered dealer is suspended due to pressure from the industry till 30 September 2019.

### **Goods kept outside the GST**

- Alcohol for human consumption.
- Petrol and petroleum products (GST will apply at a later date) viz. Petroleum crude, High speed diesel, Motor Spirit (petrol), Natural gas, Aviation turbine fuel.

### **Why no to GST?**

However, the question is: is the picture as rosy as it is portrayed?

Wall Street firm Goldman Sachs, in a note 'India: Q and A on GST — Growth Impact Could Be Muted', has put out estimates that show that the Modi Government's model for the Goods and Services Tax (GST) will not raise growth, will push up consumer prices inflation and may not result in increased tax revenue collections.

There appears to be certain loopholes in the proposed GST tax regime which may be detrimental in delivering the desired results. They are:

India has adopted dual GST instead of national GST. It has made the entire structure of GST fairly complicated in India. The centre will have to coordinate with 29 states and 7 union territories to implement such tax regime. Such regime is likely to create economic as well as political issues. The states are likely to lose the say in determining rates once GST is implemented. The sharing of revenues between the states and the centre is still a matter of contention with no consensus arrived regarding revenue neutral rate.

Chief Economic Advisor Arvind Subramanian on 4 December 2015 suggested GST rates of 12% for concessional goods, 17-18% for standard goods and 40% for luxury goods which is much higher than the present maximum service tax rate of 14%. Such initiative is likely to push inflation.

The proposed GST structure is likely to succeed only if the country has a strong IT network. It is a well-known fact that India is still in the budding state as far as internet connectivity is concerned. Moreover, the proposed regime seems to ignore the emerging sector of e-commerce. E-commerce does not leave signs of the transaction outside the internet and has anonymity associated with it. As a result, it becomes almost impossible to track the business transaction taking place through internet which can be business to business, business to customer or customer to customer. Again, there appears to be no clarity as to whether a product should be considered a service or a product under the concept of E-commerce. New techniques can be developed to track such transactions but until such technologies become readily accessible, generation of tax revenue from this sector would continue to be uncertain and much below the expectation. Again E-commerce has been insulated against taxation under custom duty moratorium on electronic transmissions by the WTO Bali Ministerial Conference held in 2014.



Communication is considered to be a dire necessity and one cannot do without communication. In modern times, communication has assumed the dimension of telecommunication.

The proposed GST regime appears to be unfavorable for telecommunication sector as well

“One of the major drawbacks of the GST regime could be the direct spike in the service tax rate from 14% to 20-22%” (GST: Impact on the Telecommunications Sector in India). The proposed GST appears to be silent on whether telecommunication can be considered under the category of goods or services. The entire issue of telecommunication sector assumes a serious proportion when India's rural teledensity is not even 50% .

The proposed GST regime intends to keep petroleum products, electricity, real estate and liquor for human consumption out of the purview of GST

It is a well-known fact that petroleum products have been a major contributor to inflation in India. Inflation in India depends on how the government intends to include petroleum products under GST in future.

Electricity is essential for the growth and development of India. If electricity is included under standard or luxury goods in future then it would badly affect the development of India. It is said that GST would impact negatively on the real estate market. It would add up to 8% to the cost of new homes and reduce demand by about 12%.

The proposed GST regime “would be capable of being levied on sale of newspapers and advertisements therein”

This would give the governments the access to substantial incremental revenues since this industry has historically been tax free in its entirety” . It sounds ridiculous but the provision of GST is likely to make the supervision of operations by its Board/senior managers across the company's offices in different parts of the country a taxable service by allowing each state to raise a GST demand on the company.

Again there appears to be lack of consensus over fixing the revenue rate as well as threshold limit. One thing is for sure, services in India are going to be steeply costly if GST is fixed above the present service tax rate of 14% which in turn will spiral up inflation in India. “Asian countries which implemented GST all had witnessed retail inflation in the year of implementation.

## **Conclusion**

The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear

consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime.

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- References - Harvard or APA Style is required.
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