

Banking Digest

February 2021



**BANK
EXAMS**
Today

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UNION BUDGET 2021-22

- The Union Budget 2021-22 was presented by Union Finance Minister (FM), Nirmala Sitharaman on 1st Feb 2021.
- Union Budget: It is the yearly financial report which estimates income and expenditure to frame future policies for the government in order to achieve sustainable growth and development of the country.
- The total COVID-19 support measures amount to 13% of GDP. Also, total COVID-19 support measures by GOI and RBI amounts to Rs 27.1 lakh crore.
- **The union budget proposals were based on 6 pillars:** (1) Health and Wellbeing (2) Physical & Financial Capital, and Infrastructure (3) Inclusive Development for Aspirational India (4) Reinvigorating Human Capital (5) Innovation and R&D (6) Minimum Government and Maximum Governance
 - **(1) Health and Wellbeing:** The budget outlay for this pillar is Rs 2,23,846 crore for 2021-22. The FM announced new centrally sponsored scheme named as PM Aatma Nirbhar Swasth Bharat Yojana, with an outlay of about Rs 64,180 crore over 6 years. This scheme is in addition to the National Health Mission and aims to develop the capacities of health care systems to detect and cure new and emerging diseases.
 - For the COVID-19 vaccines, the FM announced the allotment of funds of Rs 35,000 crore. The Union Budget session also observed the launching of Mission Poshan 2.0 to strengthen the nutritional delivery content. The Mission Poshan 2.0 is formed by merging Supplementary Nutrition Programme and the Poshan Abhiyan.
 - The Jal Jeevan Mission will be launched to provide water supply in all 4,378 Urban Local Bodies with 2.86 crore household tap connections and liquid waste management in 500 AMRUT cities. For this, Rs 2,87,000 crore are allotted for a period of 5 years. For Swachh Bharat Mission, the total financial allocation of Rs 1,41,678 crore over a period of 5 years was allotted by FM.
 - The FM announced vehicle scrapping policy for the phased out old and unfit vehicles. Under this, Vehicles will have to undergo a fitness test, which is 20 years for passenger vehicles and 15 years for commercial vehicles. This Fitness testing policy will create employment opportunities and will provide a cleaner environment as the old and unfit vehicles which are one of the major sources of air pollution will be scrapped out. This will lead to an increase in demand for cleaner vehicles.
 - **(2) Physical & Financial Capital, and Infrastructure:** To achieve the goal of USD 5 trillion economies by enhancing manufacturing sector, the FM announced the PLI (Production Linked Incentive) schemes for 13 sectors. In this regards, Rs.1.97 lakh crore is allotted.
 - To boost the textile industry, a scheme of Mega Investment Textiles Parks (MITRA) will be launched in addition to the PLI Scheme. Total 7 Textile Parks will be launched over 3 years.

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- FM also announced that the National Infrastructure Pipeline (NIP) is expanded to 7,400 projects which were earlier 6835 projects. Up till now, 217 projects of Rs 1.10 lakh crore are completed under NIP. Also, to fund new infrastructure projects, gov. will introduce a bill which will set up Development Financial Institution (DFI) with a sum of Rs 20,000 crore to capitalize on this institution. Rs 5 lakh crore will be lent by DFI for 3 years to fund the long term infra projects.
- The measures taken in a view of monetisation are: (a) NHAI and PGCIL each have sponsored one InvIT to attract the investors. Five operational roads of Rs 5,000 crore are being transferred to the NHAI InvIT. Similarly, transmission assets of a value of Rs 7,000 crore will be transferred to the PGCIL InvIT. (b) Railways will be monetized with Dedicated Freight Corridor assets for operations and maintenance, after commissioning. Other ore infrastructure assets like Oil and Gas Pipelines of GAIL, IOCL and HPCL, Other Railway Infrastructure Assets, AAI Airports in Tier II and III cities, CPSEs Warehousing Assets and Sports Stadium will be rolled out under the Asset Monetization Programme.
- The Ministry of Road Transport and Highways is provided with an enhanced outlay of Rs. 1,18,101 lakh crore. The GOI will provide Rs 1.03 lakh crore for National Highway Projects in Tamil Nadu; Rs 65,000 crore for National Highway Projects in Kerala; Rs 25,000 crore for National Highway Projects in West Bengal.
- Rs 1.1 lakh crore for Indian Railways are allotted by Finance Ministry. The government will launch a new scheme with an outlay of Rs 18,000 crore to support augmentation of public bus transport services. Also, 'MetroLite' and 'MetroNeo' technologies will be used to offer metro rail facility at a cheaper cost to the passengers. Also, Rs 3,05,984 crore over 5 years are allotted for the power distribution sector scheme.
- The Ujjwala scheme will be extended to cover 1 crore more beneficiaries. The GOI will add-up 100 more cities for the next 3 years to the City Gas Distribution network. The UT of Jammu & Kashmir will be benefited with a gas pipeline project.
- **(3) Inclusive Development for Aspirational India:** With an aim to offer adequate credit to the farmers, the agricultural credit target of Rs. 16.5 lakh crore in FY22 is allotted.
- **(4) Reinvigorating Human Capital:** With respect to the National Education Policy, the GOI aims to add more than 15,000 schools to qualitatively strengthen under NEP. Also, 100 new Sainik Schools will be established in collaboration with NGOs. The FM stated to form the Higher Education Commission of India, which will be an apex body having 4 separate vehicles namely standard-setting, accreditation, regulation, and funding. Also, a Central University will be set up in Leh, Ladakh. Around 750 Eklavya model, residential schools in tribal areas will be set up with an increase in the unit cost of each such school from Rs. 20 crore to Rs. 38 crore, and for hilly areas to Rs. 48 crore.
- **(5) Innovation and R&D:** GOI will launch National Language Translation Mission (NTLM) which will help the wealth of governance-and-policy related knowledge on the Internet to be made available in major Indian languages. This will also help to promote regional languages and increase in usage of the internet and thus to fulfill the vision of Digital India.
- **(6) Minimum Government and Maximum Governance:** FM stated that the forthcoming Census could be India's first digital Census, and thus has allotted Rs 3,768 crore for 2021. FM has stated

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an increase in customs duty on cotton to 10%, silk to 15% and auto parts to 15%. The Custom duty on solar lanterns is cut to 5%. The Custom duty on copper scrap cut to 2.5%.

- The NRI's are allowed to operate One Person Companies (OPCs) in India with no paid-up capital and turnover restrictions, with a reduced registration timeline from 182 days to 120 days. The GOI will launch deep ocean mission with an outlay of more than Rs 4,000 crore over five years.
- A relief of measure to the senior citizens is given by removing the need to file income tax returns for those aged over 75 years. The tax audit limit is raised from Rs 5 crore to Rs 10 crore.

UNION BUDGET 2021-22 (PART B)

- It describes the Tax Administration, Litigation Management and eases the compliance of Direct Tax Administration. It also mentions about custom duty rationalization as well as rationalization of procedures and easing of compliance. The following are the details for same.
- **Direct Tax Proposals:** The FM provided relief to senior citizens in the filing of income tax returns. The compliance burden on senior citizens who are of 75 years of age and above is reduced. The Senior citizens having an only pension and interest income as their income source are exempted from filing their income tax return. The budget also proposed to extend the eligibility period for a claim of the additional deduction for the interest of Rs. 1.5 lakh paid for a loan taken for the purchase of an affordable house to 31st March 2022.
 - Also to boost startups, FM announced an extension in the eligibility for claiming tax holiday for startups by one more year that is till 31st March 2022. To provide funds to the startups, the FM extended the Capital Gains exemption for investment in startups by one more year till 31st March 2022.
 - The budget mentions about a reduction in the time-limit for reopening of income tax proceeding from the current 6 years to 3 years in order to reduce compliance burden. However, in serious tax evasion cases, where there is evidence of concealment of income of Rs. 50 lakh or more in a year, the assessment can be reopened up to 10 years, once approved by Principal Chief Commissioner.
 - The Dispute Resolution Committee will be constituted with an aim to reduce litigation of small taxpayers. Anyone with a taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh is eligible to approach the Committee. Also, National Faceless Income Tax Appellate Tribunal Centre will be set up.
 - Also, to increase digital transactions and for those who mostly prefer digital transactions, the Budget proposes to increase the limit for tax audit from Rs. 5 Crore to Rs. 10 Crore.
 - To reduce the compliance burden on the small charitable trust who are undertaking educational institutions and hospitals, the Budget proposes to increase the limit on annual receipts for these trusts from Rs.1 Crore to Rs. 5 Crore for non-applicability of various compliances.
 - FM stated that late deposit of employee's contribution to the Provident Fund by the employer will not be allowed as the deduction to the employer. The advanced tax liability on the dividend income will arise after the declaration of payment of dividends.

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- **Indirect Tax Proposals:** FM mentioned that artificial intelligence technology is deployed to identify tax evaders and fake billers, thus launching special drives against them. For the custom duty, FM announced the withdrawal of a few exemptions on parts of chargers and sub-parts of mobile phones further some parts of mobiles will move from “NIL” rate to a moderate 2.5%. The customs duty is reduced by 7.5% on semis, flat, and long products of non-alloy and stainless steel. Also, an exempting duty on steel scrap up to 31st March 2022 was announced by FM. To help textile industries, a uniform deduction of the BCD rates on Caprolactam, nylon chips and nylon fibre and yarn to 5% was announced. FM has stated an increase in customs duty on cotton to 10%, silk to 15% and auto parts to 15%. The Custom duty on copper scrap cut to 2.5%. The Custom duty on solar inverter is raised to 20% from 5% and on solar lanterns, it is raised from 5% to 15%. The Tunnel Boring Machines will be having a custom duty of 7%.

FEDFIRST – CHILDREN SAVING ACCOUNT

- The Federal Bank launched the Saving Account for Children named as ‘FedFirst’.
- The account is applicable for both resident and NRIs.
- The FedFirst Saving Account will help children to know the money management process and the importance of money.
- The account is made available with the feature of withdrawing daily cash of up to Rs 2500 from ATMs.
- The daily shopping limit of PoS or E-commerce is Rs 10,000.

GUIDELINES FOR LPCC BY AMCS—BY SEBI

- The capital markets regulator organisation, SEBI (Securities and Exchange Board of India) has released the guidelines to form Limited Purpose Clearing Corporation(LPCC) by Asset Management Companies (AMCs) of Mutual Funds (MFs).
- The guidelines illustrate that AMCs are supposed to contribute Rs 150 crore towards the share capital of LPCC.
- The contribution will be based on average AUM of debt oriented schemes for the FY 2019-20.

EXTERNAL PROFESSIONAL IT FIRMS TO AUDIT IT INFRA OF HDFC—RBI

- The Reserve Bank of India (RBI) has appointed an external professional IT firm to conduct a special audit of the IT infrastructure of HDFC Bank.
- The special audit will be conducted at the cost of the bank under 30 (1-C) of Banking Regulation Act 1949.
- The action of taking an audit is because HDFC bank had an outage in its internet banking, mobile banking and payment utilities in the last 2 years.

RBI MONETARY POLICY

- The RBI's Monetary Policy Committee headed by RBI Governor Shaktikanta Das in their latest announcements stated to keep policy rates unchanged.
- The following are the policy rates:
 - Policy Repo Rate: 4% (b) Reverse Repo Rate: 3.35% (c) Marginal Standing Facility Rate: 4.25% (d) Bank Rate: 4.25% (e) Cash reserve Ratio: 3% (f) Statutory Liquidity Ratio: 18%
- Also, RBI has projected India's GDP growth rate at 10.5% for FY 2021-22-in the range of 26.2% to 8.3% in the first half and 6% in the third quarter.

RBI ANNOUNCED TO SETUP COMMITTEE FOR URBAN CO-OPERATIVE BANKS

- The committee will be comprised of stakeholders who will help in framing the roadmap to strengthen the UCBs sector.
- The committee will also be responsible to enable faster resolution and rehabilitation of UCBs.
- An expert committee will also undergo a process of examination of UCBs.

RBI TO CONDUCT OMO OF RS 20,000 CRORE

- The Reserve Bank of India (RBI) announced that it will conduct Open Market Operations (OMOs) which amounts to Rs 20,000 crore.
- RBI announced that it will purchase 4 government securities (G-Secs) which cost to Rs 20,000 crore.
- The RBI will be purchasing long-term security maturing in 2024, 2028, 2030 and 2034.

IRDAI PANEL SUGGESTS INTRODUCTION OF ILIP

- The panel constituted by the Insurance Regulatory and Development Authority of India (IRDAI) has provided a recommendation to introduce Index-Linked Insurance Policies (ILIP).
- The working group committee examined the need for ILIP in India.
- Thus after the introduction of ILIP, a new product will be added to the other two insurance categories namely, Unit Linked Insurance Plan (ULIP) and Traditional Plans.

HEALTH ADVANTEDGE PRODUCT OF BHARTI AXA GENERAL INSURANCE

- The Health AdvantEDGE is the new health insurance plan of the organisation.
- The plan supports in healthcare and wellness need of the customers.
- The Health AdvantEDGE comes up with sum insured from Rs 2 lakhs to Rs 3 crore.

RBI'S RESTRICTIONS ON INDEPENDENCE CO-OPERATIVE BANK LIMITED, NASHIK

- The Reserve Bank of India (RBI) has imposed restrictions on withdrawals from Independence Co-operative Bank Limited, Nashik.
- The restrictions are imposed because of the lender's present liquidity position.
- The restrictions will remain in power for a six months period, with an effect from 10th Feb 2021.

INDIA'S GDP TO CONTRACT BY 7% FOR FY21

- As per the report, India's GDP to contract by 7% for the fiscal year 2021.
- Earlier it had estimated the GDP contraction at 7.4%.
- The report also estimated that the GDP growth for FY22 will be at 11%.

EXIM BANK TO GRANT USD 400 MILLION TO MALDIVES

- In this regard, the Exim Bank will be providing USD 400 million to the island nation.
- The announcement for same was made by Reserve Bank of India.
- The financial assistance will be provided through Line of Credit (LoC), which will be effective from 28th Jan 2021.
- The terminal utilisation period is 60 months after the scheduled completion date of the project.

INDIA'S GDP TO GROW AT 10.4% IN FY2022

- The India Ratings and Research (Ind-Ra) has estimated that India's economic growth will bounce to 10.4% in FY 2022.
- As per the rating agency, the GDP growth for Q1 to Q3 was negative, and it predicts the growth to be positive in Q4 at 0.3%.
- As per the agency, the government final consumption expenditure will grow to 10.1% in FY22 and the private final consumption expenditure will grow to 11.2% in FY22.

GOI TO INFUSE RS 3000 CR. INTO STATE OWNED GENERAL INSURANCE COMPANIES

- The Ministry of Finance, GOI has announced to infuse Rs 3000 crore into state-owned general insurance companies in the current quarter.
- This will lead to improving the financial status of these general insurance companies.
- The infusion of Rs 3000 crore will be done after the supplementary demands for grants is passed by Parliament which will reconvene on 8th March 2021.

OUTWARD FOREX REMITTANCE SERVICE OF KOTAK MAHINDRA BANK

- India's one of the leading private sector bank, Kotak Mahindra Bank launched its outward forex remittance service called 'Kotak Remit'.
- This service will allow the customers to directly send money to their loved ones living abroad from their phones.
- In order to use this service, the customers will not have to perform any physical documentation work for up to amount of \$25,000.

RBI SETS UP EXPERT PANEL TO STRENGTHEN UCBS

- The expert committee will examine the issues and will generate a roadmap to strengthen the UCBS sector.
- In this regards, the RBI has decided to form an eight-member committee which will be headed by former RBI Deputy Governor NS Vishwanathan.
- The expert panel will take stock of regulatory measures which were taken by the RBI and other authorities in concern to UCBS.

INDIA'S GDP TO GROW AT 13.5%-- NOMURA

- As per Japanese brokerage Nomura, India's GDP will grow at 13.5% in FY22.
- This estimation is because Nomura India Business Resumption Index (NIBRI) raised to 98.1 for the week ending 14th Feb 2021 from 95.9% in the previous week.
- Also, Nomura estimated that real GDP to contract by 6.7% in FY21 and for FY22 it will grow by 13.5%.

RBI PERMITTED RESIDENTS TO MAKE REMITTANCES UNDER LRS TO IFSCS

- The Reserve Bank of India permitted resident individuals to make remittances under the Liberalised Remittance Scheme (LRS) to International Financial Services Centres (IFSCs).
- This will help to strengthen the financial markets in the IFSCs and will enable an opportunity for resident individuals to diversify their portfolios.

RBI ISSUES DIRECTIONS FOR HOUSING FINANCE COMPANIES

- The Reserve Bank of India has issued directions for Housing Finance Companies under Sections 45L and 45MA of RBI Act, 1934 and Section 30, 30A, 32 and 33 of National Housing Bank Act 1987.
- The issued directions will be applicable to all the housing finance companies registered under section 29A of the National Housing Bank Act 1987.

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- The issued directions are related to maintenance of liquidity coverage ratio, risk management, asset classification and loan-to-value ratio, among others, for housing finance companies (HFCs).

HSBC RAISES INDIA'S GDP FORECAST FOR FY 2021-22

- As per HSBC, India's GDP to be at 11.2% for FY 2021-22.
- Initially, it had an estimated GDP forecast of 9% for India.
- Also, for FY 2020-21, India's GDP forecast remains at 6.3%.

RBI CAPS WITHDRAWAL LIMIT FROM DECCAN URBAN CO-OPERATIVE BANK

- The Reserve Bank of India (RBI) has put a withdrawal cap of Rs 1000 from Deccan Urban Co-operative Bank.
- The RBI has barred Deccan Urban Co-operative Bank from granting new loans and accepting deposits because of its poor liquidity position.
- These impositions will remain for six months, as per RBI.
- As per RBI, 99.58% of customers of Deccan Urban Co-operative Bank are fully covered by the DICGC's Insurance Scheme. It will offer up to Rs 5 lakhs on bank deposits.

'NAMMA CHENNAI SMART CARD'

- India's one of the largest private sector bank, ICICI Bank has launched 'Namma Chennai Smart Card'.
- It is basically a Common Payment Card System (CPCS), which is powered by Ru-Pay.
- ICICI Bank has launched this smart card system in partnership with Greater Chennai Corporation (GCC) and Chennai Smart City Limited (CSCL).

SEBI INTRODUCES PRE-EXPIRY MARGINS TO RESTRAIN NEGATIVE PRICE SCENARIOS

- The pre-expiry margins will be applicable to certain commodities which are under the Alternate Risk Management Framework (ARMF).
- The SEBI will be introducing pre-expiry margins on cash-settled contracts from 1st April 2021. Under this, the commodities are deemed to be susceptible to possible near zero or negative price.
- The pre-expiry margins will be imposed during the last 5 trading days which will be prior to the expiry date so that they will raise by 5% daily.

INDIAN ECONOMY TO CONTRACT BY 8% IN 2020-21—BY NSO

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- The National Statistical Office (NSO) has estimated that India's GDP to contract by 8% in FY 2020-21.
- Initially, it has projected GDP contraction to 7.7% for FY 2020-21.
- Also in the December quarter, the Indian economy will be expanded by 0.4%. With this, the economy will emerge from the recession which occurred due to the pandemic.

INDIA'S GDP TO CONTRACT BY 7% IN FY21—MOODY'S RATING AGENCY

- Moody's Rating Agency has projected that India's economy to contract by 7% for FY 2020-21.
- Initially, it had an estimated 10.6% contraction for the same.
- Also, the rating agency has projected that the Indian economy will grow to 13.7% for FY 2022 as compared to its previous estimation of 10.8%.

EXIM BANK EXTENDED LOC TO NICARAGUA

- The LoC was extended to have the replacement and supply of equipment of the High Technology Centre of Hospital Antonio Lenin Fonseca, Nicaragua.
- This will help to offer the best medical equipment support to the patients and will lead to having modern hospital infrastructure.
- This LoC will also lead have exported medical equipment from India.

SBI PARTNERED WITH JPMORGAN

- JPMorgan's blockchain network technology will allow SBI to make cross border transactions in a more seamless manner.
- This will also reduce transaction costs and time for the payment transactions.
- JPMorgan's new blockchain-based interbank data network, called 'Liink' is joined by SBI.
- Link is a peer-to-peer network ecosystem that is operated by JPMorgan's blockchain.