



BANKING AND FINANCIAL AWARENESS DIGEST

January 2019

www.BankExamsToday.com

CONTENTS

RBI Proposes Loan Restructuring of MSMEs	2
Features of the Restructuring scheme	2
RBI forms expert committee to rejuvenate MSMEs	2
RBI launches SRPHi	2
Bimal Jalan Panel on Economic Capital Framework	3
Changes in Gold Monetisation Scheme	3
About Gold Monetization Scheme	3
Changes in Exemption Limit under GST	4
RBI slaps Rs. 3-cr penalty on Citibank	4
Auto-Sweep facility by Jana Small Finance Bank	4
Research Advisory Committee of SEBI	5
Nandan Nilekani Panel of RBI	5
Cabinet approves Rs.6,000 crore capital infusion in Exim Bank	5
About EXIM Bank	5
GST Ministerial Panel on Lotteries	5
Panel to resolve GST issues disturbing real estate industry	6
Objective of the Panel	6
Finance Ministry Wants PSU Banks to Bring Down Government Equity to 52%	6
New Executive Director of PNB	6
YES Bank ties up with Maharashtra to onboard fair price shops as BCs	7
Benefits	7
ICICI Bank launches premium savings account for men	7
Benefit for the Account Holder	7
HDFC Standard Life Insurance is now HDFC Life Insurance	7
RBI eases ECB norms	7
Maturity period	8
RBL Bank and Nasscom tie up for customised credit to MSMEs	8
Cabinet Approves Setting Up of the Goods and Services Tax Appellate Tribunal	8
SBI Ecowrap Report – Recommends “Unconditional Cash Transfer to Farmers	9
RBI initiates surveys to access infra, manufacturing	9
India, Japan bilateral currency swap gets Cabinet Approval	9

MONTHLY BANKING AND FINANCIAL AWARENESS DIGEST: JANUARY 2019

RBI PROPOSES LOAN RESTRUCTURING OF MSMES

In order to provide relief to the demonetization hit small business, the Reserve Bank of India proposed a one-time loan restructuring scheme for micro, small and medium enterprises (MSMEs).

FEATURES OF THE RESTRUCTURING SCHEME

- Scheme for restructuring of stressed assets will be application to credit facilities not exceeding Rs 25 crore as on January 1, 2019
- The restructuring has to be implemented by March 31, 2020.
- A provision of 5 per cent of the total outstanding loan, in addition to the money already set aside to cover potential losses, will have to be made for such borrowers.
- Each bank or NBFC must formulate a policy including a framework for viability assessment of the stressed accounts and regular monitoring of the restructured accounts.
- The scheme is applicable for the borrowers who are GST-registered on the date of implementation of restructuring.
- The restructuring would aid provide a stimulus to the economy since the MSME sector contributes significantly to job creation and employs around 12 crore people, the second largest after the agriculture sector.

RBI FORMS EXPERT COMMITTEE TO REJUVENATE MSMES

- The Reserve Bank of India (RBI) has formed an expert committee to look into the various challenges being faced by MSMEs and suggest ways and measures to rejuvenate them.
- The eight-member committee will be headed by former Securities and Exchange Board of India Chairman UK Sinha and the other members of the committee are Ram Mohan Mishra, Pankaj Jain, PK Gupta, Anup Bagchi, Abhiman Das, Sharad Sharma, and Bindu Ananth.
- The committee will review the current institutional framework in place to support the MSME along with examining the factors affecting the timely and adequate availability of finance to the sector
- It will also study the impact of the recent economic reforms on the sector and identify the structural problems.
- The existing MSME focused policies and its impact on the sector and to propose measures for leveraging technology will also be reviewed.

RBI LAUNCHES SRPHI

- The Reserve Bank of India (RBI) has launched Survey on Retail Payment Habits of Individuals (SRPHi) to capture payment habits of individuals in cities of Delhi, Mumbai, Kolkata, Chennai, Bengaluru and Guwahati.
- Sigma Research & Consulting Pvt Ltd will conduct the fieldwork of the survey.
- Around 6000 individuals from various socio-economic backgrounds across six cities would be covered under the survey.
- The survey seeks qualitative responses from individuals on their payment habits.
- The findings of the survey will provide insights into awareness and usage habits of digital payment products.

BIMAL JALAN PANEL ON ECONOMIC CAPITAL FRAMEWORK

- The Reserve Bank of India (RBI) has set up an expert committee, headed by its Former Governor Bimal Jalan.
- The panel will suggest how the Central Bank should handle its reserves and whether it can transfer its surplus to the Government
- RBI's contingency fund core reserve is only around 7% of its total assets and the rest of it is largely in revaluation reserves.
- Revaluation reserves fluctuate with corresponding changes in currency and gold valuations.
- In 2017-18, the central bank's contingency funds and revaluation reserves stood at Rs.2.32 trillion and Rs.6.92 trillion respectively.
- The data shows that the growth in revaluation reserves has far exceeded the growth in the contingency fund.

CHANGES IN GOLD MONETISATION SCHEME

The Reserve Bank of India (RBI) has made changes with the Gold Monetization Scheme (GMS) to allow charitable institutions, Central Government entities and state government entities to deposit gold under GMS.

Now the entities allowed to deposit gold under the scheme include

- Resident Indians (Individuals, HUFs, Proprietorship & Partnership firms)
- Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations
- Companies
- Charitable institutions
- Central Government
- State Government
- Any other entity owned by Central Government or State Government

ABOUT GOLD MONETIZATION SCHEME

- The scheme was launched in 2015 with tagline earn while you secure.
- The scheme provides the dual benefit of, interest (denominated in gold) on the gold deposited and an option of encashing the gold at maturity.
- All the scheduled commercial banks except the RRBs are authorised to implement the scheme.
- The gold deposits can be made under 3 term deposit plans: Short term:1 to 3 years Medium term:5 to 7 years Long term:12 to 15 years.
- Short-term deposit rates are decided by the banks concerned, while the medium and long-term deposit interest rates are decided by the Central Government.
- The minimum deposit one can make in a gold monetisation scheme is 30 grams of any purity and there is no maximum limit.

CHANGES IN EXEMPTION LIMIT UNDER GST

- The exemption limit for Goods and Services Tax (GST) registration has been increased to Rs 40 lakh from the current Rs 20 lakh to ease the cost of compliance for small taxpayers or micro, small and medium enterprises (MSMEs).
- This exemption limit has been doubled to Rs 20 lakh for North-Eastern and hilly states. The increased exemption limit of Rs 40 lakh is applicable for those businesses who deal in goods and also do intra-state trade and not for those who do inter-state transactions.
- The small States such as Puducherry which have a small assess base have been given the option to 'opt in' or move to a lower exemption and registration limit.
- The threshold limit for the compensation scheme under which small traders and businesses pay a 1 per cent tax based on turnover has been increased to Rs 1.5 crore.
- Kerala has been allowed to levy a 1 per cent calamity cess on the intra-state sale of goods and services for a period of up to two years to mobilise revenues to meet the cost of rehabilitating parts of states that were ravaged by floods.

RBI SLAPS RS. 3-CR PENALTY ON CITIBANK

- Reserve Bank of India (RBI), under the relevant provisions of the Banking Regulation Act, 1949, imposed a penalty of Rs 3 crore on Citibank India for non-compliance in criteria for directors of the bank.
- This penalty has been imposed taking into account the failure of the bank to adhere to the 'Fit and Proper' directions issued by RBI

AUTO-SWEEP FACILITY BY JANA SMALL FINANCE BANK

Jana Small Finance Bank has launched a new Current Account with Auto-Sweep facility that will enable bank's existing and potential new customers to auto sweep-in and sweep-out the idle funds in the current account to Sweep Fixed Deposit and earn high interest. For a tenor of 365 days on sweep deposit, the customers will be able to earn interest of 8.5 percent.

RESEARCH ADVISORY COMMITTEE OF SEBI

- Market regulator SEBI has set up a Research advisory committee(RAC) that will help and analyse the new methods of policy making for the development of capital market. The committee formed will be headed by Sankar De
- The committee would be “defining objectives, scope and direction of research relevant for development and regulation of capital markets in India and for SEBI, especially keeping in view the linkage of research to policy making”

NANDAN NILEKANI PANEL OF RBI

- The Reserve Bank of India (RBI) has constituted a high-level committee under Nandan Nilekani to suggest measures to strengthen the safety and security of digital payments in the country.
- The committee will review the existing status of digitization of payments, identify gaps in the ecosystem and suggest ways to fill them.
- The panel has to suggest a medium-term strategy for deepening digital payments, and measures to strengthen safety and security.

CABINET APPROVES RS.6,000 CRORE CAPITAL INFUSION IN EXIM BANK

- In order to expand the business of Export Import Bank of India, the Union Cabinet has approved infusion of Rs. 6000 crore in EXIM Bank. It would also enable it to augment capital adequacy and support Indian exports with enhanced ability
- It has been decided to issue recapitalisation bonds by the government of India to the tune of Rs. 6,000 crore for capital infusion in Export-Import Bank of India
- The equity will be infused in two tranches of Rs. 4,500 crore in 2018-19 and Rs. 1,500 crore in 2019-20, respectively.

ABOUT EXIM BANK

- It was established by the Government of India in 1982 under Export-Import Bank of India Act 1981
- It is the apex financial institution for financing, facilitating and promoting the country's international trade.
- It is headquartered in Mumbai, Maharashtra.

GST MINISTERIAL PANEL ON LOTTERIES

- The government of India has constituted an eight-member ministerial panel with **Maharashtra Finance Minister Sudhir Mungantiwar** as the convener.
- The panel will study and resolve issues that are hurting the lottery business in the country as a result of implementation of the Goods and Services Tax

- Currently, GST on lotteries run by state governments is 12% while those operated by private distributors is 28%. GoI intends to keep the rates 28% while the state governments are inclined towards maintaining a distinction.
- As per the Terms of Reference (ToR) for the GoM, the panel will examine any other issue related to enforcement including the legal frame work, so as to prevent evasion of tax on lottery and suggest appropriate tax rate to address the problem.

PANEL TO RESOLVE GST ISSUES DISTURBING REAL ESTATE INDUSTRY

- The government has composed of a seven-member Group of Ministers (GoM) to examine and suggest ways to resolve the issues plaguing the real estate sector after the implementation of the Goods and Services Tax (GST).
- A lower GST rate of 5% is one of the demands of industry players. **Gujarat deputy chief minister Nitin Patel** will head the panel that has eight terms of reference set for it.
- At present, GST is levied at an effective rate of 12% (standard rate of 18% minus 6% abatement for land value) on premium housing and effective rate of 8% (12% minus 4% abatement) on affordable housing on payments made for under-construction property or ready-to-move-in flats where completion certificate wasn't issued at the time of sale.

OBJECTIVE OF THE PANEL

- Suggest ways for a scheme to address the problems facing both developers and buyers
- Examine various aspects of levying GST on transfer of development rights and development rights in a joint development agreement and suitable model.
- Check legality of inclusion or exclusion of land or any other ingredient in the scheme and suggest a valuation mechanism.

FINANCE MINISTRY WANTS PSU BANKS TO BRING DOWN GOVERNMENT EQUITY TO 52%

- The Finance Ministry has directed the public sector banks to gradually bring down the government's equity to 52 per cent.
- The decision is taken in a bid to align with the best corporate practices.
- Contraction of government stake will help banks to meet 25 per cent public float norms of market regulator SEBI.

NEW EXECUTIVE DIRECTOR OF PNB

- Punjab National Bank has appointed Agyey Kumar Azad as the Executive Director.
- He served as the General Manager at Bank of India and was posted at Nairobi, Kenya, as Country Head.

- .At present, PNB has two Executive Directors. The other existing Executive Director is LV Prabhakar.

YES BANK TIES UP WITH MAHARASHTRA TO ONBOARD FAIR PRICE SHOPS AS BCS

The Maharashtra government has tied up with YES Bank, under its e-PDS State programme, to onboard fair price shops (FPS) as Business Correspondent Agents.

- YES Bank will onboard close to 40 per cent of all fair price shops in Maharashtra, spanning 12 districts

BENEFITS

- Fair Price Shops will provide banking services such as small-value cash deposits into any bank account, including domestic remittances and withdrawal from any bank account via Aadhaar-enabled payment system.
- The shops will also be able to collect digital payments through Aadhaar-enabled payments for ration, and will also offer value-added services such as bill payments and mobile recharges.

ICICI BANK LAUNCHES PREMIUM SAVINGS ACCOUNT FOR MEN

- ICICI Bank has launched a new premium savings account for upwardly-mobile male customers, named 'The ONE'. It is available in two variants - Magnum and Titanium

BENEFIT FOR THE ACCOUNT HOLDER

- The option of opting for health and term life insurance.
- Waives the processing fees for home loans for account holders
- The bank provides an Amazon Gift Card on specified debit card spends, using which they can join Amazon Prime.
- The account holders of the Titanium variant will also receive a complimentary one-year subscription of Zomato Gold.

HDFC STANDARD LIFE INSURANCE IS NOW HDFC LIFE INSURANCE

- HDFC Standard Life Insurance changed its name to HDFC Life Insurance following the receipt of relevant approvals from regulatory authorities
- The change in name is effective right off the bat and the company will henceforth operate under the name HDFC Life Insurance Company Ltd

RBI EASES ECB NORMS

The Reserve Bank of India has drawn up a new External Commercial Borrowing (ECB) framework allowing all eligible borrowers to raise up to \$750 million per financial year under the automatic route, replacing the existing sector-wise limits.

The framework provides a special dispensation to public sector oil marketing companies to curb volatility in the forex market arising out of dollar demand for crude oil purchases

RBI has allowed raise ECB, **with an overall ceiling of \$10 billion**, for working capital purposes with a minimum average maturity period (MAMP) of **three years** under the automatic route without mandatory hedging and individual limit requirements.

MATURITY PERIOD

- The minimum maturity period for the ECB will be three years.
- The framework allows manufacturing companies to raise up to \$50 million per financial year with a maturity period of one year.
- If the ECB is raised from a foreign equity holder and utilised for working capital, general corporate purposes or repayment of rupee loans, the maturity period will be five years.
- As per the policy, call and put option, if any, cannot be exercised prior to the completion of the minimum average maturity.

RBL BANK AND NASSCOM TIE UP FOR CUSTOMISED CREDIT TO MSMES

- RBL Bank has signed an MoU with Nasscom to provide customised credit solutions to micro, small and medium enterprises.
- The partnership will include services such as simplified assessment procedure and processing and competitive pricing, and joint working groups with representations from both entities to track the progress of the proposals submitted.

CABINET APPROVES SETTING UP OF THE GOODS AND SERVICES TAX APPELLATE TRIBUNAL

- PM led Union Cabinet of India has approved the setting up of the National Bench of the Goods and Services Tax Appellate Tribunal (GSTAT) which will act as a forum for second appeal in GST laws and the first common forum of dispute resolution between Centre and States.
- It will be located in **New Delhi** and presided over by the **President** and shall consist of one Technical Member (Centre) and one Technical Member (State).
- Every State GST Tribunal will be headed by a State President.
- **Chapter XVIII of the CGST Act** provides for the Appeal and Review Mechanism for dispute resolution under the GST Regime.
- **Section 109 of this Chapter under CGST Act** empowers the Central Government to constitute, on the recommendation of Council, by notification, with effect from such date as may be specified therein, an Appellate Tribunal known as the Goods and Services Tax Appellate

Tribunal for hearing appeals against the orders passed by the Appellate Authority or the Revisional Authority.

SBI ECOWRAP REPORT – RECOMMENDS “UNCONDITIONAL CASH TRANSFER TO FARMERS

- SBI Ecowrap Report has suggested the government to opt for the unconditional cash transfer to farmers to alleviate agrarian distress rather than Universal Basic Income (UBI) scheme.
- Currently, it may not be feasible to initiate Rythu Bandhu Scheme on national level as land data in several states, including Jharkhand, Bihar, Gujarat, and Tamil Nadu are yet to be digitized
- The report estimates various subsidy benefits the farmers are availing and suggests if a farmer is availing one or all the three modes of subsidy/supports (Crop Insurance, Interest Subsidy and Fertilizer Subsidy) then he/she will receive a minimum of Rs 5,335 to maximum Rs 10,162 per annum as cash support.
- The report predicts that government would be required to provide cash support in the range of Rs 10,000-12,000 per annum to make it completely cash neutral and the annual cost of such a scheme is Rs 1.2 lakh crore per annum.

RBI INITIATES SURVEYS TO ACCESS INFRA, MANUFACTURING

- The Reserve Bank of India initiated two quarterly surveys to examine the current situation including the job scenario in India's manufacturing, services and infrastructure sectors.
- Findings of the two surveys -- Industrial Outlook Survey (IOS), and Services and Infrastructure Outlook Survey (SIOS) -- would be significant for the government and the opposition.
- Industrial Outlook Survey would be based on qualitative responses on a set of indicators pertaining to demand conditions, financial conditions, employment conditions and the price situation.
- SIOS seeks an assessment of the business situation for the current quarter (January-March 2019) from selected companies in the services and infrastructure sectors in India, and their outlook for the ensuing quarter (April-June 2019)
- IOS will be conducted by **Hansa Research Group Pvt Ltd**
- SIOS will be carried out **by Spectrum Planning India Ltd.**

INDIA, JAPAN BILATERAL CURRENCY SWAP GETS CABINET APPROVAL

- The Union Cabinet has given its nod to the \$75-billion bilateral currency swap arrangement between India and Japan.
- Union Cabinet also gave its approval for the MoU between India and Japan on development of 'advanced model single window' to facilitate investments into India
- This arrangement is expected to bring stability to foreign exchange and capital markets in India.