



Banking and Financial Awareness Digest June 2020

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BANKING AND FINANCIAL AWARENESS DIGEST: JUNE 2020

NABARD SANCTIONED RS 1,050 CRORES TO THE FARMERS AND POOR PEOPLE OF WEST BENGAL

- The National Bank for Agriculture and Rural Development (NABARD) has sanctioned an amount of Rs 1,050 crores as a special liquidity facility to the farmers and economically weaker section of West Bengal state.
- The amount will help to ensure the continuous credit flow to the farmers in the lockdown situation of COVID-19.

INDIA'S SOVEREIGN CREDIT RATING LOWERED TO BAA3- BY MOODY'S INVESTOR SERVICE

- Moody's Investor Service has lowered India's Sovereign Credit Rating lowered to Baa3.
- It has been lowered from Baa2 to Baa3.
- Moody's Investor Service has also expected contraction by 4% in India's real GDP for FY 2021 and also has expected rise in the growth to 8.7% for FY 2022.

PAYMENT INFRASTRUCTURE DEVELOPMENT FUND

- The fund has been launched to give boost to the digital payment in India and will be used to create and encourage the acquirers to deploy and adapt Point of Sale (PoS) infrastructure in physical as well as digital modes in tier-3 to tier-6 centers and in north eastern states of India.
- The PIDF is set up with an allocation of Rs 500 crore with an initial contribution of Rs 250 crore by RBI which is half-covering of the fund and rest half will be from card issuing banks and card networks operating in India.

INDIAN ECONOMY TO CONTRACT BY 1.5% IN FY21—BY RBI

- The Reserve Bank of India has released a survey report describing that Indian economy to contract 1.5% for the financial year of 2021.

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- The real gross fixed capital formation (GFCF) has registered a negative growth of 6.4% for FY 2020-21. However, it is expected to grow by 5.6% in 2021-22.
- The real gross value added (GVA) has also declined by 1.7% for FY 2020-21. The real private final consumption expenditure (PFCE) has also declined by 0.5% for FY 2020-21 and will grow by 6.9% for 2021-22.

NABARD PROVIDES RS 270 CRORE TO AGVB BANK

- National Bank for Agriculture and Rural Development (NABARD) has allocated a special liquidity fund of Rs 270 crore to Assam Gramin Vikash Bank (AGVB).
- The fund has been allocated in the view of COVID-19 pandemic in order to support farmers to carry out their agricultural activities.

NEW NORMS FOR LOAN SALES AND SECURITISATIONS—BY RBI

- The Reserve Bank of India has released two draft documents titled as 'Draft Comprehensive Framework for Sale of Loan Exposures' and 'Draft Framework for Securitisation of Standard Assets'.
- Draft Comprehensive Framework for Sale of Loan Exposures: This draft deals with various issues like asset classification of the loans to be transferred, nature of entity purchasing loan and mode of transfer of loans.
- Draft Framework for Securitisation of Standard Assets: This drafted framework will help to align the regulatory framework with the Basel guidelines on securitisation that have come into force from 1st January 2018.

INDIAN ECONOMY TO CONTRACT BY 3.2% IN FY 20-21

- The World Bank has released its latest edition of Global Economic Prospects (GEP) for the months of June 2020.
- The Global Economic Prospects describes analytical growth of various countries by considering various parameters.
- As per the report, India's growth to contract by 3.2% for the financial year 2020-21.

WEST BENGAL GETS RS 1950 CRORE LOAN FROM WORLD BANK

- World Bank has granted financial support by providing a loan amount of Rs 1950 crore to West Bengal.
- The loan amount will help West Bengal to tackle the pandemic situation of COVID-19 and to carry out development work in the state.

INDIAN ECONOMY TO CONTRACT AT 3.7% FOR FY 21 -- BY OECD

- Organisation of Economic Co-operation and Development has projected that Indian Economy to contract at 3.7% for FY 2020-2021.
- Also it has stated that the country's growth will drop further to -7.3% if there is a second outbreak phase of COVID-19.

RBI RESTRICTS PEOPLE'S CO-OPERATIVE BANK TO GRANT FRESH LOANS

- The Reserve Bank of India has restricted Kanpur, UP based People's Co-operative Bank from granting fresh loans and accepting deposits for six months i.e. from 10th June 2020.
- The decision has been taken due to the weak financial status of the bank.
- The bank is restricted by RBI from selling, transferring and disposing any of its properties or assets.

RBI SETS UP PANEL TO REVIEW CORPORATE STRUCTURE

- Reserve Bank of India has set up a committee of 5 members which is basically a 5 member internal working group (IWG) to review the ownership and corporate structure of Indian private sector banks.
- The committee will be headed by Dr Prassanna Kumar Mohanty who is Central Board Director of RBI.
- The committee is expected to submit the review and analysis report by 30th September 2020.

EXIM BANK PROVIDES \$215.68 MILLION TO MALAWI GOVERNMENT

- Export-Import Bank of India (EXIM Bank) has provided a line of credit of \$215.68 million to Malawi government.
- The financial support will be utilised for the welfare of drinking water supply schemes, irrigation projects, sugar processing equipment, cotton processing facilities etc.

NEW FRAMEWORK FOR FMI AND RPS--- BY RBI

- The Reserve Bank of India has come up with a new framework with some changes in monitoring structure of Financial Market Infrastructure (FMI) and Retail Payment System (RPS).
- The new changes in FMI and RPS will result in ensuring more security and stability of the payment structure.
- Now, NPCI will also be designated as 'System-Wide Important Payment System (SWIPS)'.

INSTA FLEXICASH – BY ICICI BANK

- ICICI Bank has launched an Insta FlexiCash facility to its salary account customers.
- The Insta FlexiCash is an online overdraft facility (OD) by which customers can get approval for OD instantly with a paperless manner.
- The facility is launched to guard ICICI bank salary account customers against missing their Equated Monthly Installments (EMIs) or cheques bounces.

‘SURAKSHA SALARY ACCOUNT FOR MSME’S’ – BY AIRTEL PAYMENT BANK

- Airtel Payment Bank has launched ‘Suraksha Salary Account for MSME’s’.
- With the help of this account, MSME and other organisations will be able to make cashless payments and provide financial security to their employees.
- The account will facilitate the business to payroll in convenient manner and will help to maintain digital payment records in future for reference.

SEBI PROPOSES MEASURES TO STRENGTHEN ENFORCEMENT AND RECOVERY MECHANISM

- The Securities and Exchange Board of India (SEBI) has constituted a committee headed by former Supreme Court Judge Anil Dave to strengthen the SEBI’s enforcement mechanism and also to improve its system of recovery of siphoned off money.
- In the report generated by Anil Dave, he has proposed a method of quantification of profit made by the defaulters and loss made by them.
- The committee analysed the insolvency, recovery and securities laws jurisprudence on India and abroad.

NEW RULES FOR HFCs BY RBI

- The Reserve Bank of India being the regulator of Housing Finance Companies (HFCs) has proposed changes in rules and regulations of HFCs with an aim to increase and address concerns of liquidity and double financing.
- Housing loans must account to at least 50% of the HFCs assets of which at least 75% should be towards individual housing loans. And the HFCs who will not fulfil this criterion will be termed as NBFC-Investment and Credit Companies (NBFC-ICCs).

SARAL AFFORDABLE HOUSING SCHEME– BY ICICI HOME FINANCE

- ICICI Home Finance Company Ltd, which is an HFC has launched a special affordable housing loan scheme to finance homes in rural and urban areas of India. The name of the scheme is SARAL.
- The loan requires ownership of women in rural areas from Rs 3 lakhs to Rs 6 lakhs.
- Maximum limit of loan is Rs 35 lakhs with an interest rate starting from 7.98%.

SEBI TO ENHANCE PROMOTER'S SHAREHOLDING

- The Securities Exchange Board of India (SEBI) has amended regulation (3) in sub-regulation (2) of SEBI-Substantial Acquisition of Shares and Takeovers regulations, 2011 (SEBI-SAST) in order to enhance acquisition limit of promoters.
- As per this amendment, the promoters who are owning 25% or more shares or voting rights in a company can increase their shareholding up to 10% in a year. Earlier an increase of 5% was allowed.

RBI EXTENDS RS 50,000 CRORE LIQUIDITY WINDOW BY 3 MONTHS TO YES BANK

- The Reserve Bank of India has extended a special liquidity window of Rs 50,000 crore by another three months to the private sector Yes bank.
- Therefore, now the Yes Bank can access Rs 50,000 crore liquidity window if the outflow of deposits exceeds the accretion of fresh deposits.
- Initially, Yes Bank was provided with special liquidity window in the month of March for three months, which ended in June.

'KBL MICRO MITRA' FOR MSMES—BY KARNATAKA BANK

- A new financial support product for Micro Small and Medium Enterprises (MSME) has been launched by Karnataka Bank.
- The product is names as 'KBL Micro Mitra'.
- KBL Micro Mitra offers the financial assistance and support of Rs 10 lakhs to micro manufacturing service enterprises as working capital support or investment purpose support with simplified procedure and competitive interest rates.

GLOBAL MACRO OUTLOOK 2020-21 RELEASED BY MOODY'S INVESTOR SERVICE

- Moody's Investor Service has released Global Macro Outlook 2020-21.
- As per this latest report for the month of June, the rating agency has projected India's GDP to shrink at 3.1% for the financial year of 2020.
- However, the rating agency has projected to grow to be at 6.9% for the financial year 2021.

ALL CO-OPERATIVE BANKS UNDER RBI SUPERVISION

- Government of India has taken the decision to bring an ordinance to put all cooperative banks under the supervision of the Reserve Bank of India.
- The decision was announced by the Union Minister Prakash Javadekar.
- As per this decision 1482, urban cooperative banks and 58 multi-state cooperative banks will come under the supervisory control of Reserve Bank of India.

WORLD'S FIRST GOLD-BACKED DIGITAL GOLD CURRENCY IN INDIA

- IBMC Financial Professionals Group, which is an international financial service institution and business consultancy has partnered with US Gold Currency Inc and Blockfills in order to launch the world's first monetary gold-backed US Gold digital currency.
- The gold-backed US Gold digital currency is launched for the first time in the world in India, Gulf Corporation Council (GCC), the Middle East and Africa.
- Each US Gold digital currency is backed by a US American Eagle one ounce (33.931 gram) gold coin, minted by the US Federal Agency, US Mint.

INTRODUCTION OF NEW FLOATING RATE SAVING BONDS 2020

- The Government of India has introduced new Floating Rate Saving Bonds (FRSB), which is a taxable scheme in place of 7.75% Saving (Taxable) Bonds 2018.
- The initial 7.75% saving (Taxable) Bonds 2018 were ceased for subscription from the close of banking business recently.
- The FRSB Scheme is going to issue a floating rate, taxable saving bonds for an initial coupon of 7.15% payable on 1st Jan 2021.

‘SWAVALAMBAN CRISIS RESPONSIVE FUND’—BY SIDBI

- The ‘Swavalamban Crisis Responsive Fund’ (SCRF) is set-up by the Small Industries Development Bank of India (SIDBI).
- It is an open-ended fund to provide the facility of free onboarding of MSME on Trade Receivables Discounting System (TReDS) platform.
- This SCRF comes under Swavalamban Resource Facility which is developed in partnership between SIDBI and DIFD (Department of International Development), United Kingdom.

PROMULGATION OF BANKING REGULATION AMENDMENT ORDINANCE 2020

- President of India, Shri Ram Nath Kovind promulgated Banking Regulation Amendment Ordinance 2020.
- This step is taken to ensure safety of depositors from all banks by improving governance and oversights.
- The ordinance will amend the Banking Regulation Act 1949 as applicable to Cooperative Banks.

WORLD BANK APPROVES LOAN FOR STARS PROJECT

- The International Financial Body, World Bank has approved a loan for India to build STARS Project.
- A loan of \$500 million i.e. to about Rs 3700 crore has been sanctioned by the World Bank.
- The STARS is basically an Education upliftment project which stands for ‘Strengthening Teaching-Learning and Results for State Program’.