



Banking and Financial Awareness Digest March 2020

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BANKING AND FINANCIAL AWARENESS DIGEST: MARCH 2020

GST REVENUE COLLECTION: FEB 2020

- The government has settled Rs 22,586 crore to CGST and Rs 16,553 crore to SGST from IGST as regular settlement.
- With this, the total revenue earned by the Central Government and the State Governments after the regular settlement is Rs 43,155 crore for CGST and Rs 43,901 crore for the SGST.
- A growth of 12% is observed in the GST revenue from the domestic transactions in Feb 2020 over the revenue during the month of February 2019.
- GST collected from import of goods increased by 8% in comparison to the revenue during February 2019.

NABARD INFUSED RS 1.46 LAKH CRORE IN RURAL BANKING

- NABARD has been extending financial support to the banks operating in rural areas to help them deploy their resources effectively for meeting the credit needs of rural people, including farmers.
- The long term credits are aimed at supporting sectors like dairy, poultry, fishery, farm mechanisation, irrigation, and non-farm sector.
- NABARD is also directing its resources to increase institutional credit to rural sectors through non-banking financial institutions (NBFCs) by extending Rs 4,638 crore to NBFCs and MFIs so far in FY20.

RBI RECEIVED RS 1.71 TRILLION IN LTRO

- RBI said that, it has received 66 bids in the LTRO of three-year tenor, which has reversal date on 1st March 2023.
- The total bids imply a bid to cover ratio of 6.9, which is the amount of bids received relative to the notified amount.
- RBI has already conducted two LTROs for Rs 25,000 crore each on 17th and 24th February 2020.

SC LIFTED RBI BAN ON CRYPTO CURRENCY

- The bench quashed the central bank's order and said that the curb on crypto currency trade is illegal.
- Cryptocurrency is an internet-based medium of exchange which uses crypto graphical functions to conduct financial transactions.
- It has no physical counterparts like banknotes or coins that can be carried around, and thus it exists only in electronic form.

EPFO LOWERED INTEREST RATE ON DEPOSITS TO 8.5%

- The workers have been making a constant demand that the EPF interest payout should be higher in view of its investments in the stock market via the exchange-traded fund.
- In 2018-19, EPFO had a surplus of Rs 151 crore after an 8.65% payout.

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- Post 8.5% payout, the EPFO will have a surplus of Rs 700 crore.
- EPFO invests 85% of its annual accruals in the debt market and 15% in equities through exchange-traded funds.

RESERVE BANK OF INDIA IMPOSES RESTRICTIONS ON YES BANK

- RBI has allowed to Yes bank customers that they can withdraw only Rs 50,000/- from their accounts. However, an account holder can withdraw more than Rs 50,000/- for following three reasons: A) Medical treatment. B) Educations. C) Marriage. However, it is mandatory to get RBI approval for same.
- The private sector Yes Bank has been banned for 30 days.

RBI DEPUTY GOVERNOR N S VISHWANATHAN QUILTS AHEAD OF RETIREMENT

- He has quit three months ahead of his retirement in June 2020 due to health reasons.
- He was currently looking after the Key departments such as non-banking regulation, deposit insurance, banking regulation, co-operative banking, financial stability and inspection.
- Vishwanathan has been a lifetime regulator after he joined the RBI in 1981.
- He was first appointed as RBI deputy governor in 2016 for a term of three years.

INDIA'S FOREX RESERVED JUMPED TO ALL-TIME HIGH OF \$481.5 BILLION

- On 20th September 2019, the country's forex reserves stood at \$428.5 billion, and have grown by \$53 billion to a lifetime high of \$481.5 billion on 28th Feb 2020.
- The fall in global crude prices has played an important role as a \$20 drop saves India \$30 billion per annum.
- Due to the coronavirus outbreak, there is a sharp decline in Brent crude oil prices, currently trading at around \$45.2 per barrel, the lowest since June 2017.

MOODY SLASHED INDIA'S GDP TO 5.3% FOR 2020

- Moody's had reduced India's growth projection for the calendar year 2020 to 5.4% from 6.6% on 17th February 2020.
- In less than a month's time, it has again slashed the growth projection from 5.4% to 5.3% for 2020 in its latest "Global Macro Outlook 2020-2021".
- The major cause of the downward projection is an extensive and prolonged slump as a result of COVID-19 outbreak.
- The agency has said that the global spread of the coronavirus is resulting in simultaneous supply and demand shocks.

SENSEX BIGGEST SINGLE DAY LOSS

- Sensex and Nifty declined to clock their biggest single-day losses (in terms of points) ever on 9th March 2020.
- While Sensex declined to 1,941 points, Nifty declined to 538 points on the same day.

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- The sharpest fall was registered in banking, consumer durables, metal and oil and gas stocks.
- The previous biggest fall for Sensex was on 24th August 2015 when the index closed 1,624 points lower at 25,741.

SBI REDUCED FD RATES FOR 2ND TIME

- State Bank of India (SBI), has cut interest rates on fixed deposits (FDs) for the second time in a month on 10th March 2020.
- Now the FDs maturing between 7 days to 45 days will offer an interest rate of 4% as against 4.50 % earlier.
- Interest rates on FDs maturing in one-year and above have been reduced by 10 basis points.
- An interest rate of 5.90% against 6 % earlier, will be applicable on FD with One-year to less than two-year tenor.

2018-19 RECORDED HIGHEST FDI INFLOW

- Commerce and Industry Minister PiyushGoyal, in a written reply to a question in the Lok Sabha said that the FDI inflow stood at the highest ever for the fiscal year 2018-19.
- In 2018-19, the foreign direct investment (FDI) inflow stood at a record 62 billion US dollars.
- FDI is when a company takes controlling ownership in a business entity in another country.

INDIA'S CURRENT ACCOUNT DEFICIT

- According to data released by Reserve Bank of India (RBI) on 12th March 2020, India's current account deficit (CAD) stands just at \$1.4 billion in the October- December quarter of the 2019-20 fiscal year.
- The data showed that the CAD eased to 0.2% of GDP in the December quarter (3rd quarter) from 0.9% of GDP in the September quarter.
- The CAD accounted for 2.7% of the GDP in the year-ago period.
- As per the RBI data, the net foreign direct investment was at \$10 billion in the third quarter while external commercial borrowing-related inflows stood at \$3.2 billion.

RBI ANNOUNCED US DOLLAR SELL/BUY SWAP

- The Reserve Bank of India has announced a six month US dollar sell/buy swap in a statement issued on 12th March 2020.
- The US dollar sell/buy swap is announced by RBI observing the mismatch in the US dollar liquidity across the world.
- Due to COVID 19 outbreak, a slump in international crude prices and a decline in bond yields in advanced economies, financial markets worldwide are facing intense selling pressures on extreme risk aversion.

GOI WILL BORROW RS 51,000 CRORE IN MARCH 2020

- The decision is taken after reviewing the cash position of the Centre, in line with the Revised Estimate announced by the government in the Budget 2020-21.
- The Budget 2020-21 has raised the net borrowing to Rs 4.99 lakh crore from Rs 4.48 lakh crore in the Budget Estimate.

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- As per the earlier calendar, the GOI was to borrow Rs 24,000 crore through treasury bills of various tenure.
- The revised calendar has allowed the government to borrow Rs 75,000 crore through the treasury bills in three tranches.

PAYTM BANK TO ISSUE VISA VIRTUAL DEBIT CARDS

- PPBL has said that it is targeting to issue over 10 million new digital debit cards in 2020-21.
- The visa virtual debit cards to its customers will enable them to transact at all merchants accepting payments through cards.
- It will make contactless payment through their chip-inserted cards.
- Also, for the first time, the bank's customers will also be able to make international transactions using the card.

GOVERNANCE PANEL SET UP BY IRDAI

- The Insurance Regulation and Development Authority (IRDAI) has announced on 19th March 2020 that it has set up a governance panel/committee.
- The committee will be headed by Pravin Kutumbe, member-finance and investment at IRDAI.
- It will submit its report to IRDAI in 3 months.
- IRDAI is an autonomous, statutory body tasked with regulating and promoting the insurance and re-insurance industries in India.

RBI APPOINTED ADDITIONAL DIRECTORS FOR YES BANK BOARD

- RBI former deputy governor R Gandhi and former banker Ananth Narayan have been appointed for a term of two years.
- RBI can appoint one or more persons as additional directors on the board of Yes, under the reconstruction scheme, which came into effect from 14th March 2020.
- These appointments are effective 26th March 2020.
- R Gandhi was earlier appointed to Yes Bank's Board as an additional director till 13th May 2021 and is being reappointed after the board was superseded on 5th March 2020.

GOVT LIABILITIES STOOD AT RS 93.89 LAKH CRORE IN Q3

- The increase in the Government's liability is about 3.2% as compared to the previous quarter.
- The liabilities, including those under the public account, had stood at Rs 91,01,484 crore at the end of September 2019.
- At the end of December 2019, Public debt accounted for 90.4% of total outstanding liabilities.
- The proportion of debt (dated securities) maturing in less than one year was at 6.64% at the end of December 2019.

RBI TO INJECT RS 30,000 CRORE INTO MARKET

- RBI has taken the decision to ensure that all market segments function normally with adequate liquidity and turnover.

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- Under this, RBI will conduct the purchase of government securities under open market operations (OMOs) for an aggregate amount of Rs 30,000 crore.
- The OMOs will be conducted in two tranches of Rs 15,000 crore each in March (24th March and 30th March).

GOVT INCREASED THE THRESHOLD FOR INVOKING INSOLVENCY UNDER IBC

- The threshold has been increased in the view to prevent the triggering of such proceedings against small and medium enterprises that are facing problems due to the COVID 19 pandemic.
- The threshold of default has been raised under section 4 of the IBC 2016.
- The Companies Act 2013 prescribed interval of 120 days of holding meetings of the Board of the companies, shall be extended by a period of 60 days till the next two quarters i.e., till 30th September.

UBS SECURITIES CUT INDIA'S FY21 GROWTH RATE TO 4%

- The UBS had earlier estimated India's FY21 growth rate to be 5.1%.
- The UBS said that the economic impact will be determined more by the mobility restrictions on the population, rather than the growth of the affected cases per se.
- UBS Group AG is a Swiss multinational investment bank and financial services company founded and based in Switzerland.

GOVERNMENT ANNOUNCED TO PAY EPF FOR 3 MONTHS

- Finance Minister Nirmala Sitharaman has announced on 26th March 2020 that the government of India will pay the EPF contribution both of the employer and the employee (12% each) for the next three months i.e. together 24%.
- This will be applicable for establishments with up to 100 employees, where 90% of employees draw less than Rs 15,000 salary.
- The government has also amended the EPFO regulations to allow workers under EPFO to draw up to 75% of their non-refundable advance or 3 months of wages, whichever is lower.

CABINET APPROVED RECAPITALIZATION OF RRBS

- The Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, has given its approval for continuation of the process of recapitalization of Regional Rural Banks (RRBs).
- The recapitalization will provide minimum regulatory capital to RRBs for another year beyond 2019-20, that is, up to 2020-21.
- It will be for those RRBs which are unable to maintain minimum Capital to Risk weighted Assets Ratio (CRAR) of 9%, as per the regulatory norms prescribed by the Reserve Bank of India.

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RBI ANNOUNCED MEASURES TO BOOST LIQUIDITY IN THE BANKING SYSTEM

- RBI Governor Shaktikanta Das has announced economic measures on 27th March 2020, as decided by the Monetary Policy Committee (MPC), to deal with the hardship caused due to the outbreak of COVID-19.
- The ‘paramount objective’ behind the measures is keeping finance flowing in the lockdown due to coronavirus (COVID-19) outbreak.
- The measures will provide a total liquidity injection of Rs 3.74 lakh crore to the system in the current scenario.

FOREX RESERVES FALL BY \$12 BILLION

- RBI data showed that India's foreign exchange reserves fell by a whopping \$11.98 billion in the week to March 20.
- The rupee hit an all-time low of 76.15 against the US dollar on 23rd March 2020.
- The Reserve Bank continued to supply dollars into the market to stem fall in the rupee that fell by \$11.98 billion to \$469.909 billion.

MEGA MERGER OF 10 PSBS – EFFECTIVE FROM 1ST APRIL 2020

- Union Finance Minister Nirmala Sitharaman announced a big consolidation of public sector banks in 2019. As per this 10, public sector banks are to be merged into 4 banks.
- Therefore, Reserve Bank of India has notified with a circular that the mega-merger of 10 PSBs will be effective from the start of the new financial year i.e. 1st April 2020.
- After the amalgamation, the total number of Public Sector Banks in the country will come down to 12 banks.

ADB TO INVEST \$100 MILLION IN NIIF-TO SUPPORT INDIA'S PRIVATE EQUITY SECTOR

- ADB will be investing \$100 million in the NIIF's FOF which will ensure that actual money invested will be a few times more than USD 100 million.
- The motive behind the investment is to contribute to greater availability of long term growth financing for private sector companies, job creation, social infrastructure development, and economic growth.
- After this agreement, the total size of NIIF's funds of funds has now raised to USD 700 million.