



**BANKING AND
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Banking and Financial Awareness Digest: September 2019

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Fintech Committee Final Report

- The committee was constituted as per the announcement made by Arun Jaitley, then Finance Minister in his **Budget speech 2018-19**.
- The committee gave some recommendations on **Fintech space globally and in India**.
- It recommended a **Cash flow-based financing** for micro, small and medium enterprises (MSMEs) may be **considered by the RBI**.
- To set up an **Inter-Ministerial Steering Committee on fin-tech Applications** in Department of Economic Affairs (DEA), to carry on the tasks of implementing this report.

Capital infusion by Government in IDBI Bank

- The infusion will be done through “**recap bonds**” i.e. there will no impact on the liquidity, as the bank will buy the recap bond from the government on the same day for the capital infused by the government into the bank.
- The IDBI bank has **reduced its net NPA** from peak of 18.8% in June 2018 to 8% in June 2019.
- **The government** continues to be a promoter and holds **46.46% stakes** of the IDBI Bank and LIC acquired **51% stakes**.
- With the infusion, the bank would be able to subsequently raise further capital on its own and has more probability to come out of the **RBI’s Prompt Corrective Action (PCA) framework**.

RBI mandated to link Retail Loans to External Benchmark

- The directive is applicable **to all Public Sector Banks** voluntarily, while the private banks are yet to.
- Recently, some state-run banks have introduced home and auto loans having repo-linked products but the RBI wants them to add loans to **micro, small and medium enterprises (MSMEs)** to an external benchmark.
- RBI has clarified that the final rate charged to the borrowers after the switchover to external benchmark **would be same** as the rate charged for a new loan of the same category at the time of origination of the loan.

ADB to provide \$200 million to Maharashtra

- The Asian Development Bank (ADB) has approved \$ 200 million to Maharashtra to **improve road safety** by upgrading rural roads to all-weather standards.
- A **technical assistance grant of \$1 million** for institutional strengthening of the MRRDA is to be given for enhancing its management performances.
- The state of Maharashtra accounts for **8% of the total road incidents** in India.
- The states’ agriculture accounts for about **47% of employment** and contributes **11% to the state gross domestic product**.

World Bank to sanction Rs 3,000 crore for food parks

- According to the government of India, World Bank will provide funds of Rs 3000 crore to finance mini and mega food parks across the country, particularly in Northeast in order to boost the income of farmers.
- Union Minister Rameswar Teli informed that few formalities are only left for the first disbursement from the bank.
- The minister made the announcement at the 15th Indo-US Economic Summit. The summit was organised by the Indo-American Chamber of Commerce-North India Council (IACC-NIC).

IDBI to Launch co-branded credit card with LIC

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- IDBI Bank will launch a co-branded credit card with Life Insurance Corporation of India.
- The card will be launched in association with LIC's wholly-owned subsidiary, LIC Credit Cards Services (LIC CSL).
- This card will be marketed to customers, agents, and employees of the corporation and its subsidiary.
- At present, IDBI Bank has a credit card subscriber base of about 35,000.
- In January 2019, LIC has completed the acquisition of 51 per cent controlling stake in IDBI Bank for about Rs 21,600 crore.

Insurance cover for banks raised up to 90 percent for working capital loans

- In order to enhance loan availability for exporters and ease the lending process, the Export Credit Guarantee Corporation of India (ECGC) has introduced a new Export Credit Insurance Scheme (ECIS) called 'NIRVIK'.
- At present, the Export Credit Guarantee Corporation of India (ECGC) provides credit guarantee of up to 60 percent loss. Under 'NIRVIK' scheme, the insurance cover guaranteed will cover up to 90 percent of the principal and interest. The insurance cover will include both pre and post-shipment credit.
- The scheme was announced by Defence Minister Nirmala Sitharaman and the details of the scheme were shared by Union Minister of Commerce and Industry and Railways, Piyush Goyal.

IPPB rolls out of Aadhaar-enabled payment services (AePS)

- The India Post Payments Bank (IPPB) has rolled out Aadhaar enabled payment system (AePS) services.
- The launch of AePS was announced by the Union Minister for Communications and IT Ravi Shankar Prasad on the occasion of first anniversary of IPPB.
- With the launch of AePS, IPPB has now become the single largest platform in the country for providing interoperable banking services to the customers of any bank.
- With the help of AePS services, any person with an Aadhaar-linked bank account will be able to perform basic banking services such as cash withdrawals and balance enquiry irrespective of the bank in which they hold their account with.
- A customer avail these Aadhaar enabled payment services by simply authenticate his/her identity with fingerprint scan and Aadhaar authentication to complete a transaction.

Aadhaar Authentication made Mandatory for New Dealers by GSTN

- The verification is mandated from January 2020 for checking malpractices in GST.
- The government has decided to do complete online refunding from 24th September 2019 from a single source, either by the Central GST or State GST.
- The next GST council meeting is scheduled to take place in Goa on 20th September 2019.

Govt incentive to Boost Exports and Housing Sector

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- The housing projects under the special window include **non-NPA (Non-Performing Assets) and non-NCLT (National Company Law Tribunal) projects**.
- **Merchandise Exports from India Scheme (MEIS)** for textiles will be replaced by the **scheme for Remission of Duties or Taxes on Export Product (RoDTEP)**.
- Textile and all other sectors will transit into RoDTEP from **January 1, 2020**, which currently enjoy incentives up to 2 per cent over MEIS.
- The **Export Credit Guarantee Corporation (ECGC)** scope will be expanded to **export credit insurance service (ECIS)**.

RBI allowed Payment Banks to apply for Small finance banks

- The SFB licence to the payments banks will allow them to boost deposits and lend, that is currently **capped at Rs 1 lakh per customer**.
- The **minimum paid-up capital requirement for SFBs** is also revised by the RBI from **Rs 100 crore to now Rs 200 crore**.
- Promoter's shareholding should be a **maximum of 40% by the end of 5 years**, and within **10 years it should be down to 30%** and within **15 years it should be down to 15%** shareholding.

RBI suggest Federal body like GST council for Farming Sector

- Banks should increase credit for consumption loans to farmers and other allied farm activities up to a sanctioned limit of Rs 1 lakh.
- The centre should complete updation and digitisation of land records in a time-bound manner.
- RBI had set up the **'Internal Working Group'** in February 2019 to understand the reasons for the regional disparity in agricultural credit and suggest measures.

Government Slashed the Corporate Tax Rates

- The tax rates are slashed by following an amendment in the **Income-tax Act 1961 and the Finance (No. 2) Act 2019**.
- The effective rate for **domestic companies** with inclusive surcharge and cess shall be **25.17%**.
- The effective rate for **new domestic companies** with inclusive surcharge and cess shall be **17.01%**.
- **Rs. 1.45 lakh crore** is the estimated total revenue foregone for the reduction in corporate tax rate and other relief.

Scope of the Bharat Bill Payment System (BBPS) Expanded

- BBPS is an interoperable medium to **facilitate customers to pay bills** such as direct-to-home (DTH), telephone, water, gas and electricity **at a single location** either physical or electronic.
- After the expansion of the payment facility, municipal taxes, insurance premiums, school fees and other **recurring payments** can also be paid via BBPS.

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- In the **Third Bi-monthly Monetary Policy Statement 2019-20** on 7th August, it was decided to expand the scope and coverage of BBPS.

Government amended CSR Spending Norms

- The government has amended the **corporate social responsibility (CSR)** spending norms to allow the corporates to spend on research and development (R&D) activities.
- The step has been taken to increase India's spending on research and development (R&D) activities which is presently **less than 1% of GDP for years**.
- The Companies Act requires firms with **1) net worth of Rs 500 crore 2) turnover of Rs 1,000 crore or net profit of Rs 5 crore or more to set aside 2% of their average net profit over the last 3 years towards 'approved' CSR activities**.

SEBI tighten Mutual Fund Norms

- SEBI has tightened the norms for mutual funds by making it mandatory to hold **at least 20% liquid assets in liquid schemes**.
- The **liquid assets include** cash, government securities, T-Bill and repo on Government securities.
- The parking of funds in **short term deposits of scheduled commercial banks** won't be charged **investment management and advisory fees** by the **asset management company (AMC)**.
- Investors will be charged with **levy exit load by Mutual fund** if they exit within seven days of investment, however, no levy exit load will be charged to an investor who made an investment in liquid funds before the prescribed date.

RBI has placed PMC Bank under Directions

- The Reserve Bank of India has placed the **Punjab and Maharashtra Cooperative (PMC) Bank Limited** under Directions.
- As per the Directions, the depositors of the **Mumbai based PMC Bank** are not allowed to withdraw amount **exceeding Rs 1,000** of the total balance in a savings account/current account or deposit account.
- The directions are to remain in force for **6 months** from the close of business of the bank.
- RBI has said that the direction is **not be construed as a cancellation** of a banking licence.

RBI modified directions to PMC Bank

- Depositors can **withdraw a sum not exceeding 10,000 rupees** of the total balance from Savings account/current account/deposit account.
- More than **60% of the depositors will be able to withdraw their entire account balance**.

- The modifications of rules are done after police complaints were filed against the top officials of the PMC bank and **Housing Development and Infrastructure Limited (HDIL)** for allegedly looting 3,000 crore rupees of the depositors.

RBI Put Lakshmi Vilas Bank under PCA Norms

- Due to high bad loans and insufficient capital, RBI has put the **Tamil Nadu based Lakshmi Vilas Bank** under **prompt corrective action framework**.
- RBI has said that the marking of the bank under PCA aimed at not having an impact on the **normal day-to-day operations of the bank**.
- RBI helps the bank by taking a corrective course of action when the bank has a weak financial performance for a sustained period on parameters of **capital ratios, asset quality and profitability**.

