

BANKING AND FINANCIAL AWARENESS

MARCH 2020: WEEK IV

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.
- 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.

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.