
BANKING AND FINANCIAL AWARENESS

SEPTEMBER 2019: WEEK I

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**.